



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## Memorandum

TO: Jim Dinley, Municipal Administrator  
Mayor Cheryl Westover and Members of the Assembly

FROM: Randy Hughes, Assessing Director

SUBJECT: Applications for the Optional Community Purpose Exemption

DATE: April 10, 2012

Each optional exemption must receive prior approval by the CBS Assembly; giving consideration to the benefits provided the community by the organization and to the amount of property to be removed from the tax rolls.

In order to be considered a community service organization, an organization must:

1. Benefit a significant portion of the public; and
2. Not profit persons other than employees; and
3. Qualify for a federal income tax exemption under 26 USC 501.

The Assessor's Office did receive timely filed applications for the Community Purpose Tax Exemption for the following:

*Providing for today...preparing for tomorrow*

**CBS Parcel 1-8562-019**

Applicant Youth Advocates of Sitka, Inc.

Property Address 805 Lincoln Street.

Legal Description Lot 4-2 Sheldon Jackson Campus #2

Land Size 23,636 sq. ft.

Building Size 3,456 sq. ft.

Land Value \$258,500.

Building Value \$400,700.

Total Value \$659,200.

Property Description - 2 level office formerly known as the Armstrong Bldg. and part of the Sheldon Jackson Campus. Built in 1973 and completely remodeled in 2011.

**CBS Parcel 1-8562-017**

Applicant Alaska Arts Southeast, Inc.

Property Address 121 John Brady Dr.

Legal Description Lot 9 Sheldon Jackson Campus S/D

Land Size 94,875 sq. ft.

Building Size 33,860 sq. ft.

Land Value \$ 745,700.

Building Value \$1,521,600.

Total Value \$2,267,300.

Property Description - 2 level fitness center known as the Hames Building and formerly part of the Sheldon Jackson Campus. Built in 1987 and updated in 2011.

The Assessor has reviewed the applications and finds the following to be applicable for approval of the Community Purpose Tax Exemption:

- Property is owned by a non-profit organization
- Organization is not organized for business or profit-making purposes.
- Receipt of some monies for use of the property to defray operating costs does not necessarily bar the right to an exemption.
- Use of the property is exclusive and no spatial apportionment is required.
- General benefit to the community, without a dominant profit motive, may be sufficient to grant a community purpose exemption based upon AS 29 45.050(b)(1)(a) and SGC 4.12.025.

**APPLICATION FOR NON-PROFIT PROPERTY TAX EXEMPTION**

CITY AND BOROUGH OF SITKA, ASSESSOR'S OFFICE  
100 LINCOLN ST·SITKA, AK 99835  
PH 747-1822 · FAX 747-6138

The following form is to be used to file for an exemption of real property assessments under the State of Alaska's required exemptions, AS.29.45.050 (b)(1)(A) or the CBS optional exemption 4.12.025. The applicant has the burden of proof to show that the property is eligible for exemption from property tax.

It is important that the form is completed fully and any other information the applicant can supply on attached pages. Please use additional pages to answer as needed.

The Assessor of the City and Borough of Sitka may require additional information, to be provided in a timely manner. **POSTMARK DEADLINE IS February 15, 2012.**

Return applications to: **100 Lincoln St, Ste 106, Sitka, Alaska 99835.** Telephone assistance is available at 907-747-1820 or 907-747-1822. The fax number is 907-747-6138.

ASSESSMENT YEAR APPLIED FOR: 2012

Parcel Identification Number: 1-8562-019

ORGANIZATION NAME: Youth Advocates of Sitka, Inc.

Property Address: 805 Lincoln Street. Sitka, AK 99835

Property Description: (type of property, building size, lot size, etc)

1. What exemption are you applying for? (Exemption options listed below)

A.) Non-profit Religious \_\_\_\_\_ B.) Non-profit Educational \_\_\_\_\_

B.) Non-profit Charitable \_\_\_\_\_ D.) Non-profit Community Purpose

E.) Non-profit Hospital \_\_\_\_\_ F.) Non-profit Other \_\_\_\_\_

2. Is the organization organized as a not-for-profit entity? YES  NO \_\_\_\_\_

**APPLICATION FOR NON-PROFIT PROPERTY TAX EXEMPTION**

- 3. Does the organization have a current IRS 501(c), or 501(c) (4) exemption ruling? YES  NO
- 4. Is the property used exclusively (100%) for the purpose of the exemption sought? YES  NO
- 5. Is any portion of the building or lot used for other purposes? YES  NO
- 6. Is any portion of the building or lot used for other purposes? YES  NO
- 7. Is there a fee to use or enter the property? YES  NO
- 8. If a fee is charged, how much does it cost? \_\_\_\_\_ Membership Fees? \_\_\_\_\_
- 9. Was any of this property used for rental purposes last year? YES  NO
- 10. Previous years? YES  NO , if yes, please explain the total amount received and all expenses associated with the rental costs. Attach a summary of rental income and expenses. Expenses should be limited to rent received. Expenses include maintenance, utilities, repairs, etc.

Include the name of the renter: \_\_\_\_\_

- 11. Describe the nature and uses of this property as it is related to the exemption requested, (non-profit function). Attach additional information as required.

Non-profit mental health agency supporting youth & their families.

- 12. Explain how the use of this property is eligible for the exemption sought. Answer in relationship to the exemption being sought. Attach additional information as required.

Our services are open to entire community. We provide assessment & testing, therapy, life skills, case management & more. Last year alone we provided services to over 150 youth & families in Sitka & Alaska.

I HEREBY APPLY FOR THE COMMUNITY PURPOSE EXEMPTION ON THE ABOVE DESCRIBED PROPERTY AS PROVIDED IN AS 29.45.050

**CERTIFICATION:** I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT WILLFUL MISSTATEMENT IS PUNISHABLE BY A FINE OR IMPRISONMENT UNDER AS 11.56.210

  
Signature of Officer or Official Representative

1/31/12  
Date

Annette Becker  
Printed Name

907-747-3687  
Phone contact

Executive Director  
Title

## APPLICATION FOR NON-PROFIT PROPERTY TAX EXEMPTION

PLEASE SUBMIT THE FOLLOWING INFORMATION ALONG WITH YOUR COMPLETED APPLICATION.  
AN APPLICATION NEEDS TO BE SUBMITTED FOR EACH PARCEL YOU ARE REQUESTING AN EXEMPTION FOR:

1. Current copy of Articles of Incorporation, Names of Director and Board members, and minutes of the last meeting.
- ✓ 2. Latest copy of the Constitution and By-Laws. ~~File~~
- ✓ 3. Copy of your Federal Tax exempt status 501 (c) (3) or 501 (c) (4)
- ✓ 4. City and Borough of Sitka sales tax license or exemption determination.
- ✓ 5. A detailed statement regarding the nature of the organization and current use of the property.
- ✓ 6. An explanation of any grants or reimbursements from any government agency.
- ✓ 7. Current schedule of fees.

# STATE OF ALASKA

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## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

### Certificate of Incorporation

The undersigned, as Commissioner of Commerce & Economic Development of the State of Alaska, hereby certifies that duplicate originals of the Articles of Incorporation of YOUTH ADVOCATES OF SITKA, INC.


duly signed and verified pursuant to the provisions of the Alaska Non-Profit Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Commissioner of Commerce & Economic Development, and by virtue of the authority vested in him by law hereby issues this Certificate of Incorporation of

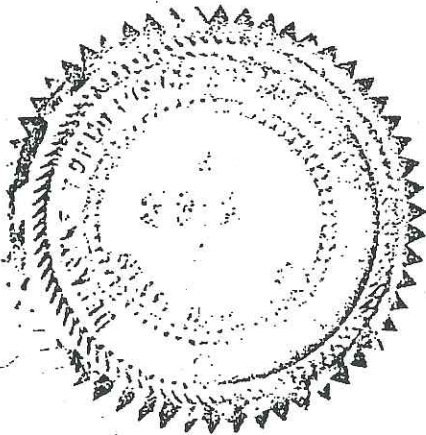
YOUTH ADVOCATES OF SITKA, INC.

and attaches hereto a duplicate original of the Articles of Incorporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand  
and affixed my official seal, at Juneau, the Capital, this  
11th day of December A.D. 19 75



LANGHORNE A. MOTLEY  
COMMISSIONER OF COMMERCE  
& ECONOMIC DEVELOPMENT



FILED FOR RECORD

ARTICLES OF INCORPORATION

DEC 11 1975

OF

YOUTH ADVOCATES OF SITKA, INC.

STATE OF ALASKA  
DEPARTMENT OF COMMERCE  
& ECONOMIC DEVELOPMENT

A NON-PROFIT CORPORATION

KNOW ALL MEN BY THESE PRESENTS, that we, NANCY DeBASTE, ROGER ROBINSON, SHIRLEY YOCUM, PETE J. KARRAS and MARILYN HANSON, being natural persons of full age, have this day united and associated ourselves together for the purpose of forming a non-profit corporation under the laws of the State of Alaska and the laws of the United States of America applicable thereto and we do hereby make, sign and acknowledge in triplicate, the following Articles Of Incorporation:

I

NAME

The name of the corporation shall be YOUTH ADVOCATES OF SITKA, INC.

II

PURPOSES

The purposes for which the corporation is organized are:

- (a) To establish and operate, for charitable purposes, one or more foster group homes or institutions, providing care for children who can benefit from group living and who either cannot or do not receive the care and training they need in their home or who have no other home;

(b) To exercise all appropriate or necessary corporate powers set out in AS 10.20.011;

(c) To do all things necessary and proper to carry out the purposes of its creation.

### III

#### DURATION

The duration of the corporation shall be perpetual.

### IV

#### MEMBERSHIP

Any person is eligible for membership in the corporation. Membership dues are \$3.00 per year. Payment of the dues may be waived by a majority of the board of directors. Membership is terminated when a member fails to pay the required dues or when he withdraws from the corporation.

### V

#### METINGS OF MEMBERS

The annual meeting shall be held in September on a day designated by the board of directors.

Special meetings of the members for any purpose may be called at any time by the chairman, vice-chairman, secretary-treasurer, by any two members of the board of directors, or upon written request of ten per cent. (10%) of the registered members.

Notice of any meetings shall be given to the members by the secretary-treasurer. Each member shall register his mailing



address and telephone number with the secretary and notices of meetings shall be mailed or telephoned to him at that address. Notice of each meeting, regular or special, shall be given at least ten days and not more than fifty days in advance of the meeting and shall state in general the nature of the business to be transacted. Ten per cent (10%) of the members, or their proxies, constitutes a quorum. The board of directors shall adopt rules of order for meetings of the corporation by a majority vote. These rules of order may be amended by a two-thirds vote of the board of directors or the general membership at a regular or special meeting.

## VI

### VOTING

Each member is entitled to one vote.

All proxies shall be in writing, signed by the member and delivered to the secretary of the corporation prior to the meeting at which it is to be used. Each proxy applies to one meeting only and shall state the meeting for which it applies.

## VII

### INCORPORATORS AND BOARD OF DIRECTORS

The affairs of the corporation shall be managed by a board of five directors which includes the officers of the corporation as set out in Article IX. Meetings of the board of directors shall be held at times and places to be established by the board of directors. A majority of the board members constitutes a quorum.

The incorporators as listed below shall constitute the initial board of directors, shall have one year terms and shall be as follows:

<u>NAME</u>	<u>ADDRESS</u>
<u>Roger Robison</u>	<u>Box 223, Sitka, Alaska 99835</u>
<u>Nancy Debaste</u>	<u>Box 135, Sitka, Alaska 99835</u>
<u>Shirley Yocum</u>	<u>Box 583, Mt. Edgcumbe, Alaska 99835</u>
<u>Pete J. Karras</u>	<u>Box 552, Sitka, Alaska 99835</u>
<u>Marilyn Hanson</u>	<u>Box 464, Mt. Edgcumbe, Alaska 99835</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

They shall organize themselves thereafter.

At the first general membership meeting in September of 1976, two directors shall be elected to hold office for a period of one year and three directors shall be elected to hold office for a period of two years. Thereafter, directors shall hold office for a period of two years.

Members of the board of directors shall be elected at large in the following manner:

Sixty days prior to the annual meeting the secretary of the corporation shall cause to be mailed to each registered member a nominating petition. The nominating petition shall advise the membership of the election for the board of directors to be held at the next annual meeting and shall state the number of vacancies on the board of directors and

shall require that all nominations for such vacancies be received in the office of the secretary at least thirty days prior to the annual meeting. The election shall be by secret ballot at the annual meeting.

### VIII

#### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

(a) The board of directors has power to:

- (1) approve all capital and equipment expenditures;
- (2) select and dismiss all employees and to adopt and publish regulations relating to the qualifications, duties and selection of all employees;

(3) exercise for the corporation all power, duties and authority vested in and delegated to the corporation, except those reserved for the general membership by these articles or the statutes of the State of Alaska.

(b) It is the duty of the board of directors to:

(1) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at their annual meeting each year;

(2) request the proposals of the members, and to act as the advisory and policy making body for all programs and projects;

(3) cause to be prepared a budget showing the planned income and expenditures of the corporation for each fiscal year;

(4) cause to be designated the officers of the corporation empowered to sign cheques and notes in the corporate name.

(5) provide for an advisory board to be made up of representatives of the various agencies and interested persons who will be giving help including, but not limited to, technical and financial help to the corporation.

#### IX

#### OFFICERS

The board of directors shall choose from its membership a chairman, a vice-chairman, a secretary-treasurer, who shall be members of the corporation and of the board of directors. The persons so chosen by the board of directors shall serve as the officers of the board of directors and of the corporation. Officers, starting with the chairman, shall be elected on secret ballot, and no nominations for vice-chairman may be received until the chairman has been elected, and no nominations for secretary-treasurer may be received until the vice-chairman has been elected.

Officers shall be elected by the board of directors at the first meeting of the board of directors held after the annual membership meeting in each fiscal year.

#### X

#### AMENDMENTS

The articles may be amended at a regular or special meeting of the general membership by two-thirds vote of the members present in person or by proxy. Provided, that notice of all amendments have been mailed to each member of the corporation fifteen (15) days prior to the meeting at which such amendment shall be considered.

XI

REGISTERED AGENT

The registered agent for the corporation shall be  
Christianson and Krumm, Attorneys at Law, Post Office Box 4,  
Sitka, Alaska 99835.

XII

DISSOLUTION

On dissolution, any funds, money or property held by the  
corporation shall be distributed to such persons or associations  
as the board of directors may prescribe unless such distribution,  
upon dissolution, may be otherwise required by law.

IN WITNESS WHEREOF the parties have hereunto set their hands  
and seals this 25th day of September, 1975.

Nancy DeBate  
Roger Robison  
Marilyn Hanson  
Shirley Green

Pete J. Krumm  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SUBSCRIBED and SWORN to before me this 25<sup>th</sup> day of Sept.  
1975.

Man (L) L...  
Notary Public for Alaska  
My commission expires: 7-24-75

**Youth Advocates of Sitka, Inc.  
Board of Directors  
2012**

President, Board of Directors –

**Marilyn Durocher**

301 Nicole Dr.

Sitka, AK 99835

Wk 747-7728 / Cell 738-3019 / Hm 747-7455

[marilyn.durocher@uas.alaska.edu](mailto:marilyn.durocher@uas.alaska.edu)

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Vice President, Board of Directors –

**James Diffin**

329 Harbor dr.

Sitka AK 99835

Hm. 907-747-8278 / Wrk 907-747-3500

[jdiffin@msn.com](mailto:jdiffin@msn.com)

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Secretary/Treasurer, Board of Directors –

**James Clare**

106 Bahrt Circle,

Sitka, AK 99835

Hm. 747-4932 / Wk. 966-8741

[jcpe81649@gmail.com](mailto:jcpe81649@gmail.com)

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**Julia Smith**

107 B Donna Dr.

Sitka, AK 99835

Wk. 747-3370 / Cell 738-6499

[julia\\_smith7@hotmail.com](mailto:julia_smith7@hotmail.com)

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**Marilyn Hanson**

602 Lake St.

Sitka, AK 99835

Hm 747-6989

[marilyn.hanson22@yahoo.com](mailto:marilyn.hanson22@yahoo.com)

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Ben Clark

Biorka Street

Sitka, AK 99837

907-747-7765

[benjaminclark32@gmail.com](mailto:benjaminclark32@gmail.com)

# YAS Board Meeting

January 23, 2012

Meeting called to order at 5:30 PM  
At Armstrong Building Conference Room

**Present:** Ben Clark, Marilyn Durocher, Julia Smith, Jim Clare

**Absent:** Sarah Watkins now off the board, James Diffin absent, Marilyn Hanson absent due to weather.

**Guest:**

**Staff:** Annette Becker, Executive director and Ryan Haug, Operations director

**Agenda:** JS proposed a board duties and responsibility manual be developed and offered prospective board member candidates. Move by JC to accept agenda template from previous meeting, JS second, approved unanimously.

**Minutes:** JC motion to approve December 12, 2011 minutes, BC 2nd, all in favor, no opposition.

## Financial Report

1. Balance sheet and income statements examined and discussed. ED still considers the budget not allowing too much spending, still nip and tuck, with income and expenses both very close.

## Director's Report

1. Copies of program reports and financial report provided electronically by email last week and printed copies available at this meeting.
2. CARF: AB will meet with Jon W about changes to P&P, she will make any changes from that meeting and then bring to board. JS & MD would like to review them before the next meeting. The other policies include the board manual, quality assurance, billing, and program specific for a total of six. Hanson House P&P is most complete and serves as the basis for the other programs.  
ED requested a board member to sit on a committee with her to examine holiday benefits. Hanson House skill trainers are not in holiday benefits. BC agreed to help as board member.
3. Lifewise insurance payback was discussed. Full current employee payback would be \$2242.50. All employees including those gone would total \$4723.50. Board asked to have a determination of how far back these payment figures go back in time, get legal opinion, then we will decide the best way to pay back.
4. Armstrong should be ready for move in next couple weeks. AB asked for board help in February with mostly the garage sales for excess equipment and furniture from Blue House. Proposing an open house. To celebrate. Need help planning that.

January 23, 2012

Meeting called to order at 5:30 PM

At Armstrong Building Conference Room

5. Construction loan: 3/1 start the \$5K/mo. Payments, so need to refinance to a 30 year loan to bring payments down.
6. A Feb 2 report must be filed with EEOC regarding complaint.
7. AB gave Libby Stortz clinical director proposal, also stating it is a good fit. Some discussion briefly occurred.
8. Presley Ridge Training for 7 occurred. Good reviews offered December slower due to holiday and vacations.
9. Written report mentioned the several agency to agency statuses.

### **Committee Reports**

Deferred to future meeting.

### **Business**

1. Armstrong update: see Director Report.
2. Strategic Planning: deferred – April? Staff morale is up lately.
3. Agency to agency with SCAPS. Nothing new heard.
4. Board recruitment: Potentially interested individuals Jasmine Shaw and Joshua Houston declined. Dr. PJ Ford/Slack needs invitation to February meeting follow-up to letter previously written.
5. Personnel: AB evaluation – form needs completion and distribution to appropriate target respondents. JS asked JC to send her the questions from last evaluation.

**Next Meeting**—Monday, February 13, 2012, 5:15 PM, Armstrong.

Meeting adjourned at 6:54 PM.



BY-LAWS  
OF  
YOUTH ADVOCATES OF SITKA, INC.  
A NON-PROFIT CORPORATION

I  
MEMBERSHIP

Any interested person may upon their request be placed on the membership list of Youth Advocates Of Sitka, Inc. Each member must renew their request for membership on a yearly basis at the time of the annual meeting of the Corporation, or at any other time. Membership will be discontinued if there is not a request for renewal. Members will be provided periodic information on the activities of the Corporation, should the Board Of Directors choose to provide any information. Members shall not have any voting rights, but may nominate persons for the Board Of Directors.

II  
MEETING OF MEMBERS

There shall be an Annual Meeting of the Board Of Directors and all members of the Corporation on the third Tuesday in November of each year. Notice of the Annual Meeting of the members shall be given by the Secretary of the Corporation. Notice to each of the members, shall be given at least ten days, and not more than fifty days, in advance of the meeting and shall

state in general the nature of the business to be transacted at the end of the meeting. The Board Of Directors shall adopt Rules Of Order for the meetings of the Corporation by a majority vote. The Rules Of Order may be amended by a two-thirds vote of the Board Of Directors of the general membership at a regular meeting or special meeting.

### III MEETING OF BOARD OF DIRECTORS

The Board Of Directors of the Corporation shall meet from time to time. The times for regular meetings shall be established by the Chairman. Special meetings may be called by the Chairman, Vice-Chairman, Treasurer, or by any two members of the Board Of Directors.

### IV BOARD OF DIRECTORS

The affairs of the Corporation shall be managed by a board of not less than five, nor more than seven, directors which includes the Chairman, Vice-Chairman, and Treasurer. Meetings of the Board Of Directors shall be held at times and places to be established by the Board Of Directors. The majority of the board members constitutes a quorum. Provided, however, that a Director who is unable to attend a meeting may by proxy appoint any other Director to vote for him in his place and stead, as if he were present. Proxies shall count in determining whether there is a quorum of the Board Of Directors.

The terms of the Directors shall be such that the terms expire on January 1st of the calendar year. The terms shall be

established so that no more than two Directors shall have a term that expires at the same time. This provision is provided to maintain continuity among the Board Of Directors.

Members of the Board Of Directors shall be elected in the following manner:

A. Thirty days prior to the Annual Meeting the Secretary of the Corporation shall cause to be mailed to each current member of the Corporation, Notice Of The Annual Meeting.

B. Notice shall advise the membership of the election for the Board Of Directors to be held at the next Annual Meeting and shall state the number of vacancies on the Board Of Directors.

C. Nominations for the Board Of Directors will be accepted from the floor at the time of the Annual Meeting.

#### V

#### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

A. The Board Of Directors has the power to:

(1) Approve all capital and equipment expenditures;

(2) Select and dismiss all employees and to adopt and publish regulations relating to qualifications, duties, and selection of all employees;

(3) Exercise for the Corporation all power, duties, and authority vested and delegated to the Corporation, by these Articles or the Statutes of the State Of Alaska.

B. It is the duty of the Board Of Directors to:

(1) Cause to be kept a complete record of all of it's acts and corporate affairs and to present a statement thereof to the members at their Annual Meeting each year;

(2) Receive proposals of the members, and to act as the advisory and policy making body for all programs and projects;

(3) Cause to be prepared a budget showing the planned income and expenditures of the Corporation for each fiscal year;

(4) Cause to be designated the officers of the Corporation and the power to sign checks and notes in the Corporate name.

#### VI OFFICERS

The Board Of Directors shall choose from it's membership, a Chairman, a Vice-Chairman, and a Treasurer, who shall be members of the Corporation and of the Board Of Directors. The persons so chosen by the Board Of Directors shall serve as the Officers of the Board Of Directors and of the Corporation. Officers, starting with the Chairman, shall be elected by secret ballot, and no nominations for Vice-Chairman may be received until the Chairman has been elected, and no nominations for Treasurer may be received until the Vice-Chairman has been elected.

Officers shall be elected by the Board Of Directors at the Annual Meeting, or at the first meeting of the Board Of Directors held after the Annual Meeting in each fiscal year, or as the Board may so choose.

#### VII AMENDMENTS

The By-Laws of the Corporation may be amended at a regular or special meeting of the Board Of Directors. A two-thirds vote of the Board Of Directors shall be required to amend

the By-Laws. Provided, however, that Notice Of All Amendments have been mailed to each Board Of Director of the Corporation fifteen days prior to the meeting at which such amendment shall be considered.

VIII  
ARTICLES OF INCORPORATION

If any provision of these By-Laws is inconsistent with the Articles Of Incorporation, the Articles Of Incorporation shall govern. To the extent possible, these By-Laws are to be construed in a manner consistent with the Articles Of Incorporation.

Internal Revenue Service  
District Director

Department of the Treasury

Date: NOV 3 1978

EP/EO:EO-1:JPJ

Employer Identification Number:

92-0064393

Accounting Period Ending:

December 31

Form 990 Required:  Yes  No

Youth Advocates of Sitka, Inc.

Box 1066

Sitka, AK 99835

Person to Contact:

Patricia D. Grenier

Contact Telephone Number:

(206) 442-5110

SEA:EO:78-1028

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section 509(a)(1) and 170(b)(1)(A)(vi).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. Also, you should inform us of all changes in your name or address.

Generally, you are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. If you have paid FICA taxes without filing the waiver, you should contact us. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

The box checked in the heading of this letter shows whether you must file Form 990, Return of Organization Exempt from Income tax. If Yes is checked, you are required to file Form 990 only if your gross receipts each year are normally more than \$10,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, when a return is filed late, unless there is reasonable cause for the delay.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter, we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees.

If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



Arturo A. Jacobs  
District Director

This determination letter modifies our letter of April 26, 1978.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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**YOUTH ADVOCATES OF SITKA, inc.**

**EIN. # 92-90064393**

**SALES TAX EXEMPTION CERTIFICATE**  
**GOVERNMENT SUPPORTED AGENCY**

**EXEMPT # N12-808**

Purchases made by Youth Advocates of Sitka, inc., for its sole use and ownership, are exempt from Sitka sales tax. Sellers are hereby authorized to make sales to this government supported agency without the collection of any sales tax.

This certificate is of a renewable nature and must be renewed yearly with agencies keeping active accounts with in the City And Borough of Sitka.

City & Borough of Sitka

A handwritten signature in black ink, appearing to read "Marjorie A. Parmelee".

Marjorie A. Parmelee  
Sales Tax Clerk

Issued : 12//08/2011  
Expiration : 12/31/12

Providing for today...preparing for tomorrow





## **Youth Advocates of Sitka, Inc.**

Homes • Schools • Community

310 Price St.  
Sitka, AK 99835

Phone: 907-747-3687  
Fax: 907-747-3627

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### **History and Mission**

Youth Advocates of Sitka, Inc. is a community-based non-profit agency that was founded in 1975. Our agency strives to provide a safe, supportive, and therapeutic environment for youth in our care, and whenever possible, to strengthen families by helping to rebuild communication and trust. Services at YAS are designed to address the needs of children and youth in their home and school environment whenever possible, and through residential care when needed.

The mission of YAS is simply stated, *"To support the mental health of Alaska's youth and their families."* Our Vision is to empower youth to grow into healthy, happy, and productive members of our community.

Our beneficiaries are youth ages five to 21 years old who are challenged with a Severely Emotionally Disturbed (SED) and their families. During the past year, YAS served over 130 youth and families in our programs from 16 different Alaskan communities.

### **Description of Programs and Services**

YAS provides a continuum of care through services that are essential but not otherwise available to families in Sitka. Our residential and community-based services help youth develop life skills, improve family relationships, and address mental health issues that can create barriers to living healthy, fun, and productive lives. Our residential programs include the Hanson House, Therapeutic Foster Care, and the Transitional Living Program.

The Hanson House is a ten-bed level III treatment facility for youth who are in need of intensive supervised care, but who do not need the restrictive environment of detention or a locked treatment facility. The Hanson House provides a home-like atmosphere to approximately 12 youth each year, and offers a broad array of services modalities are designed to help youth be successful in a community setting.

YAS's Family Resource Center (FRC) provides the following programs and services, Therapeutic Foster Care (TFC) and Transitional Living Program (TLP). Our Family

#### **THIS DOCUMENT CONTAINS CONFIDENTIAL PRIVILEGED INFORMATION**

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Resource Center is a drop in center for youth and our resource parents. Examples of services provided include assistance with the development of a Transitional Living Plan, futures planning, independent and interpersonal skill building, mental health and substance use counseling, teaching and demonstration of recreation and healthy lifestyle habits, medical care referrals, educational advancement, case management, and aftercare services.

Therapeutic Foster Care is a foster care program designed for youth who are SED and require a higher level of care within the home environment. Therapeutic interventions are delivered from licensed resource parents who are trained, supervised, and supported by agency staff. We currently have nine youth receiving TFC services, 22 youth have been served in the past 12 months, and YAS has 14 resource families currently licensed.

Our Transitional Living Program serves youth ages 16 to 21 years who have run away, are homeless, or who are at high risk of becoming homeless because they are living in an unsafe or unstable living situation. Youth in this program must want to receive support and voluntarily agree to participate in the program. Youth in this program are placed in the home of one of our licensed resource families, and the program staff make sure all of the youth's basic needs are met (safety, shelter, food, clothing, etc.). Youth must be going to school, working on their GED, working or actively seeking work, volunteering, or a combination of both. We support the youth and work with them on their individual Transitional Living Plan. We currently have five youth placed in TLP, have placed 19 youth in the TLP within the place year, and average 105 brief contacts or walk-ins per month.

We also provide school-based outpatient treatment services in seven of Sitka's schools including Mt. Edgecumbe High School. We have 4.5 FTE Master's level Clinicians who provide assessment and testing, individual, group, and family therapy, and oversee all rehab services provided by our case managers, skills trainers, and resource parents.

Youth Advocates of Sitka, Inc. also receives a grant from the DHSS to provide a non-secure attendant shelter care service for youth who are being temporarily detained by the Sitka Police Department (SPD). Sitka only has an adult jail facility, so when a youth needs to be held at the SPD, our non-secure on-call staff will go down to the SPD to monitor and support the youth until they are released or transported to Juneau. We have two staff on-call at all times, 24 hours a day, seven days a week, and 356 days a year.



## **Use of 805 Lincoln Street Property**

The 805 Lincoln Street building will be used as Youth Advocates of Sitka's main office headquarters. The upstairs consists of administrative offices and confidential spaces for therapy sessions. More specifically, there will be offices for quality assurance and billing, executive director, program coordinator, as well as case managers and four clinician therapy rooms. There will also be a multipurpose conference room which will be used daily for group therapy, treatment team meetings, and trainings. The building will also have a general staff work area, and reception/lobby space. The Family Resource Center will be located downstairs, and as mentioned above, is our drop in center for youth and our licensed resource families. The FRC is a safe support environment where youth can come to grab a snack, play games, use the computers, or just talk. There are scheduled weekly activities to promote life skills and promote positive social support and interactions. Activities include cooking, movie night, and gardening. Staff support youth and make referrals throughout the community when and where needed.

## **Grants and Reimbursements for Services**

Youth Advocates of Sitka, Inc. receives five State grants and one federal grant. We also bill Medicaid and private insurance for the services that we provide. The following is the list of our current funding sources:

- Comprehensive Behavioral Health Treatment and Recovery Program, from AK Department of Health and Social Services (DHSS) for \$1,022
- Bring the Kids Home, DHSS, \$200,000 (currently on 2nd year out of 3 year grant)
- Residential Care for Children and Youth, Office of Children's Services, \$87,600
- Runaway and Homeless Youth Transitional Living Program Grant, Department of Health and Human Services - Administration for Children and Families, \$186,110 (this is the last year of our 5 year grant)
- Federal Formula Non-Secure Attendant Shelter Grant, Division of Juvenile Justice, \$17,849
- Youth Courts/Community, DHSS, \$20,000 (This is a pass through grant to Sitka School District Community Schools. YAS receives the grant from DHSS and keeps \$300 of the total grant award. YAS is responsible for submitting quarterly grant and financial reports while Community School's AmeriCorps Volunteer runs day to day program services).
- Medicaid reimbursement
- Private Insurance
- Donation



**Youth Advocates of Sitka, Inc.**

Homes • Schools • Community

### Current Schedule of Fees

<b>Service Description</b>	<b>Duration/Unit</b>	<b>Unit Payment</b>
Behavioral Health Screen – Alaska Screen Tool	1 screen	\$35.00
Mental Health Intake Assessment	1 assessment	\$175.00
Psychological Testing	15 minutes	\$25.00
Neuropsychological Testing	15 minutes	\$25.00
Psychotherapy, Individual	30 minutes	\$50.00
Psychotherapy, group	30 minutes	\$28.00
Psychotherapy, family	30 minutes	\$55.00
Case Management	15 minutes	\$16.00
Therapeutic Behavioral Health Services, Individual	15 minutes	\$17.00
Therapeutic Behavioral Health Services, group	15 minutes	\$9.00
Behavioral Health Daily	Daily	\$171.00



CITY AND BOROUGH OF SITKA  
 ASSESSOR  
 100 Lincoln Street  
 Sitka, AK 99835  
 (907) 747-1822

## REAL PROPERTY ASSESSMENT NOTICE

TAX YEAR: **2012**

**YOUTH ADVOCATES OF SITKA, INC.**  
**310 PRICE STREET**  
**SITKA AK 99835**

MAILING DATE: **3/12/12**

APPEAL MUST BE FILED  
 WITH ASSESSOR BY: **4/12/12**

BOARD OF  
 EQUALIZATION  
 WILL MEET ON: **5/07/12**

SERIAL NUMBER
<b>1-8562-019-000-0000</b>

SURVEY	LOT	BLOCK	LOT	SUBDIVISION	BLOCK	LOT
<b>407B</b>	<b>4-2</b>			<b>SJC2</b>		

STREET ADDRESS
<b>805 LINCOLN ST</b>

LAND VALUE	BUILDING VALUE	TOTAL ASSESSED VALUE
<b>258,500</b>	<b>400,700</b>	<b>659,200</b>

Assessed values on property listed in your name have been established as shown above and reflect 100 percent of fair market value on January 1 of the tax year.

**PLEASE NOTIFY THE ASSESSOR OF ANY ERRORS, OMISSIONS OR CHANGES.**

The appeal period expires 30 days after the date of this notice.

Board of Equalization will meet in Harrigan Centennial Hall at 6:00 p.m. to hear appeals not adjusted by the Assessor. Appellants bear the burden of proof of excessive valuation, inequities in assessment, or improper assessment.

**THIS IS NOT A TAX BILL**  
**Tax statements will be issued**  
**on or about July 1**

City and Borough of Sitka, Alaska

**1-8562-019**



- A Address No.
- A Parcel ID
- 2007 Comp. Plan
- A Tract Ownerships
- Zoning
- Flood Zones
- Streets
- Parcels
- Nautical Charts



www.mainstreetgis.com

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1 in = 158.82 ft



1 : 1905.84

Last Update: Property Records 10/11/2011 GIS Parcel Lines 8/11/2011





**APPLICATION FOR NON-PROFIT PROPERTY TAX EXEMPTION**

CITY AND BOROUGH OF SITKA, ASSESSOR'S OFFICE  
100 LINCOLN ST-SITKA, AK 99835  
PH 747-1822 – FAX 747 6138

The following form is to be used to file for an exemption for real property assessments under the State of Alaska's required exemptions, *AS 29.45.050(b)(1)(A)* or the CBS optional exemption

**4. 12. 025.** The applicant has the burden of proof to show that the property is eligible for exemption from property tax.

It is important that the form is completed fully and any other information the applicant can supply on attached pages. Please use additional pages to answer as needed.

The Assessor of the City and Borough of Sitka may require additional information, to be provided in a timely manner. **POSTMARK DEADLINE IS February 15, 2012.**

Return application to : 100 Lincoln St., Ste 106 Sitka, Alaska 98935. Telephone assistance is available at 907-747-1820 or 907-747-1822. The fax number is 907-747 6138.

**ASSESSMENT YEAR APPLIED FOR:** 2012

**Parcel identification Numbers:**

18562000 (Lot R-1 of SJC Lincoln Subdivision Replat, according to Plat No. 2011-3 and Lot 2 of Sheldon Jackson Subdivision according to Plat No. 2009-8)

18562017 (Lot 9 of Sheldon Jackson Campus Subdivision, according to Plat No. 2009-8)

18562018 (Lot 2 of Sheldon Jackson College Subdivision of USS 407-8, according to Plat No. 2008-9)

**ORGANIZATION NAME:** Alaska Arts Southeast, Inc., d/b/a Sitka Fine Arts Camp.

**Property Address:** 116 College Drive, Sitka, Alaska

**Property Description:** (type of property, building size, lot size, etc.)

**Parcel No 18562000** consists of the core campus of Sheldon Jackson College and includes sixteen buildings or structures that were part of the college, extensive lawns and open spaces,



streets, sidewalks and parking areas. This parcel consists of approximately 18.2 acres, or 793,951 square feet. The legal description of this parcel is: Lot R-1 of the SJC- Lincoln Subdivision Replat, according to Plat No. 2011-3, Sitka Recorder's Office and Lot 2 of Sheldon Jackson Campus Subdivision, according to Plat No. 2009-8, Sitka Recorder's Office.

**Parcel No. 18562017** contains the building known as the Hames Physical Education Center and the surrounding parking area. This parcel consists of approximately 2.17 acres, or 94,875 square feet. The legal description of this parcel is Lot 9 of the Sheldon Jackson Subdivision according to Plat No. 2009-8, Sitka Recorder's Office.

**Parcel No. 18562018** consists of a small crescent of lawn on the other (South) side of Lincoln Street from the campus lawn. There are only 8119 square feet (0.186 acres) in this area of open space. The legal description of this parcel is: Lot 2, Sheldon Jackson College Subdivision of USS 407-8, according to Plat No. 2008-9, Sitka Recorder's Office.

The total land area owned by the Sitka Fine Arts Camp is therefore about 20.6 acres. All of the land and buildings were originally part of Sheldon Jackson College, Alaska's oldest education institution, which operated a college on the site for over a hundred years until it transferred the property without monetary consideration to the Sitka Fine Arts Camp in 2011.

Approximately 2.0 acres consist of roadways operated and maintained by the Sitka Fine Arts Camp. Of those two acres, about 1.3 acres (a half mile) are paved and approximately 0.7 acres are gravel access roads.

2.6 acres are designated as a National Historic Landmark. Included within that Historic Landmark are 2.1 acres of Historic Landmark lawn. This area is maintained as an open public green space for the use of the general public.

In addition, there are 2.5 acres of other grass covered lawn areas that are made available for public use. 1.8 acres of the property consist of canals, flumes and pipelines that supply water to the Sitka Sound Science Center hatchery. 0.4 acres are used as sidewalks available to the public. The total length of these walkways is about a quarter mile.

1.4 acres are encumbered by parking and access easements for the benefit of the use of the Sheldon Jackson Museum and the Sitka International Hostel, which are located immediately adjacent to the property. The Museum is an educational organization owned and operated by the State of Alaska. The Hostel is a charitable organization that provides dormitory accommodations for visitors to Sitka. 2.15 acres are encumbered by access and utility easements and corridors as shown on Plat No. 2009-8. 5.7 acres consist of open space with gardens, forest paths and other spaces that are not enclosed and that are used by members of the public for recreation, physical exercise, and social activities.

Only 2.55 acres of the property has buildings on it. Apart from 9,430 square feet rented out for residential purposes and 110 square feet rented out for commercial purposes, the buildings are used exclusively for charitable, educational or community purposes by the Sitka Fine Arts Camp. The nature and uses of the structures are described in the answers and attachments provided in response to Questions 11 and 12 below.

1. What exemption are you applying for? (Exemption options listed below)

- A.) Non-profit Religious \_\_\_\_\_ B.) Non-profit Educational  \_\_\_\_\_  
C.) Non-profit Charitable  \_\_\_\_\_ D.) Non-profit Community Purpose  \_\_\_\_\_  
E.) Non-profit Hospital \_\_\_\_\_ F.) Non-profit Other \_\_\_\_\_

2. Is the organization organized as a non-for-profit entity? YES  No \_\_\_\_\_

3. Does the organization have a current IRS 501(c), or 501(c)(4) exemption ruling?  
YES  NO \_\_\_\_\_

4. Is the property used exclusively (100%) for the purpose of the exemption sought?  
Yes \_\_\_\_\_ NO  \_\_\_\_\_

Except for portions of specific buildings that are rented out to persons or entities other than non-profit charitable, educational, or community purpose enterprises, all of the property is used exclusively for exempt purposes. The portions of the property that are used exclusively for exempt purposes are described in response to Questions 11 and 12 below. The details of the limited rental operations are described in response to Question 10 below.

5. Is any portion of the building or lot used for other purposes? YES  NO \_\_\_\_\_

As noted above, the applicant rents out some portions of specific buildings to persons or entities other than non-profit charitable, educational, or community purpose enterprises. The details of these limited rental operations are described in response to Question 10 below.

6. Is any portion of the building or lot used for other purposes? YES  NO \_\_\_\_\_

This question appears to be the same as Question 5 above. The answer is the same.

7. Is there a fee to use or enter the property? YES \_\_\_\_\_ NO  \_\_\_\_\_

No fee is charged to enter the property itself. There are fees for membership in the Hames Center, and there are tuition fees for the classes conducted by the Sitka Fine Arts Camp. In addition, there is a membership fee that offsets the utility costs for participants in the ceramics

cooperative operating out of the Ceramics Building, but no fee is charged simply to enter the Ceramics Building.

8. If a fee is charged, how much does it cost? \_\_\_\_\_ Membership Fees?

See the answer to Question 7 above. Schedules for membership fees and tuition are shown on the attached information sheets.

9. Was any of this property used for rental purposes last year? YES  NO \_\_\_\_\_

10. Previous years? YES \_\_\_\_\_ NO \_\_\_N/A\_\_\_ If yes, please explain the total amount received and all expenses associated with the rental costs. Attach a summary of rental income and expenses. Expenses should be limited to rent received. Expenses include maintenance, utilities, repairs, etc.

Include the name of the renter: \_\_\_\_\_

None of these parcels were owned by the applicant in any year prior to 2011, so the accurate answer to this question is that that information about rentals in previous years is not available to the present owner of the property nor is it relevant to this application. Nonetheless, the applicant did rent out space to third parties within certain buildings on the property in calendar year 2011 and continues to rent out space in certain locations. Information about those rentals is contained on the attached spread sheet.

11. Describe the nature and uses of this property as it is related to the exemption requested, (non-profit function). Attach additional information as required.

The real property that is the subject of this exemption application consists of certain portions of the former campus of Sheldon Jackson College. Alaska Arts Southeast, Inc. accepted the real property and improvements from the Trustees of the College in order to have a place to conduct the Sitka Fine Arts Camp and to conduct other charitable, educational, and community activities. Sitka Fine Arts Camp is requesting both a non-profit charitable and educational exemption. It also seeks an exemption based on the community purpose of its activities.

#### Charitable

The open spaces, walkways, paths, lawns and forests on the property are not just used by students or faculty of the Sitka Fine Arts Camp. Members of the public are free to use them as well. There are no barriers to entry on the open spaces of the property, and Alaska Arts Southeast maintains those open spaces at its own expense and with the work of its volunteers for the use of the general public without charge. The existence of the Fine Arts Camp is a benefit to the community as a whole because it enhances the quality of life in Sitka by making quality arts education conveniently available. Regardless of whether a family member attends classes, any Sitka resident can attend the public performances by camp participants at the end of the arts program. These programs, which depend in part on the existence of the buildings and grounds of the campus, are intended to improve the moral, mental and physical welfare of all Sitka residents and constitute a charitable use of all of the property.

North Pacific Hall is used for faculty housing during the Sitka Fine Arts Camp summer session, and it has been used for UAS student housing. Although some fees are charged for this use, those fees do not offset the full costs of making the space available. Housing is provided as a benevolent undertaking in order to help fulfill the charitable mission of Alaska Arts Southeast. Likewise, the dormitories and eating areas in Whitmore, Fraser, and Sweetland Halls are made available to students who attend camp classes as a gesture of good will and out of a desire to promote the arts, humanities and science and not as a way to generate profits.

The Rasmuson Building is used by Alaska Arts Southeast staff as well as by other nonprofit charitable or educational organizations. There are classroom spaces, offices, and meeting rooms within the building, all of which are used by these exempt enterprises. Other rooms are used for storage by Alaska Arts Southeast, and as rehearsal space for local band musicians. These uses support and are closely related to the educational and charitable purposes of the Sitka Arts Camp. It is not possible to run a charitable operation without storing the ordinary office supplies and equipment that go into administering any enterprise through which hundreds of citizens are served every year. Nor can the musical development of a local band be adequately encouraged without adequate practice space.

The Hames Center for Physical Education is used for physical education classes and recreation by Sitka residents. While there is now a part-time paid manager, this wellness and fitness center is operated almost entirely by volunteers. There is a fee charged for the use of the facility, but those fees do not fully cover the cost of operating and maintaining the building and therefore no net income is derived from the use of this building. The Sitka Fine Arts Camp operates the Hames Center in order to improve the moral, mental, and physical welfare of the public generally and does so without making a profit.

## **Educational**

Sitka Fine Arts Camp is an educational program that annually serves approximately 600 students. Over 60 different classes are offered in theater, musical theater, dance, music, creative writing, visual arts, Alaska Native Arts, and digital arts. These classes are held in the Ceramics Building, the Hames Center, the Yaw Art Center, the Whitmore Building, the Fraser Building, the Rasmuson Building and the Yaw Chapel. Once renovation is complete, classes and student performances or both will be held in the Power Plant and the Allen Auditorium. In addition, the campus is used by a number of other educational organizations for their teaching activities. There are two different pre-school programs that use space in the Rasmuson Building. The Islands Institute and Paths Across the Pacific provide instruction and educational programs in the classrooms located in the Yaw Chapel and the Sitka Bible Baptist Church holds religious services and provides religious instruction there. The Allen Auditorium building contains a performance space and classroom spaces that will be available for instruction once it is fully renovated.

Alaska Arts Southeast also uses some or all of the campus buildings for purposes that are integrally related to its educational purposes even though they are not classrooms. Space within the Kellogg Building is used by the staff of the Sitka Fine Arts Camp and the Sitka Sound Science Center, a nonprofit educational organization. The dormitories in Whitmore, Fraser, and Sweetland Halls (and the cafeteria in Sweetland Hall) accommodate students and North Pacific Hall is used to house faculty when the Fine Arts Camp is in session. The ability to establish a residential atmosphere is necessary for the learning experience that the camp provides. Similarly, the maintenance buildings located on the campus are essential to the upkeep of the buildings and grounds so that the educational activities can continue. In fact, the shop in one of the maintenance buildings is used as a carving classroom because of the tools and equipment located there.

The students at the Fine Arts Camp benefit directly from the use of all of these buildings to prepare themselves for class, and to hone and practice their new-found skills. They use the open spaces on the campus for recreation and physical education. All of the grounds and buildings used by students in the program are directly related to and necessary for the fulfillment of the educational purpose of the Camp. Through the Camp's use of dormitories and a cafeteria, the students enjoy the kind of sustained

Camp. Through the Camp's use of dormitories and a cafeteria, the students enjoy the kind of sustained and intensive contact with teachers and other students that can result in real artistic development. The dorm rooms and living spaces occupied by faculty or staff in North Pacific Hall, Whitmore, Fraser, and Sweetland Halls are necessary for the convenient use of adjacent classroom and practice spaces that are an obvious necessity for artistic study.

As noted above, the Hames Physical Education Center is used for physical education classes and recreation by Sitka residents. There are programs and workshops provided at the center, including Fitness for Families, Aerobics and Strength Training Workshops, and yoga classes. In addition, there are self-directed fitness and training programs available. Essentially, the entire Hames Center is a large classroom devoted to physical education. The only income derived from the Center comes from its use by the individuals who participate in the physical education offered there, and that income does not begin to cover the cost of operating and maintaining the Hames Center.

### **Community purpose**

The purpose of Alaska Arts Southeast is to build community in Alaska by providing opportunities in arts, culture and recreation in an inclusive, educational and inspirational environment. That environment is found in Sitka within the dormitories, gymnasium, cafeteria, classrooms, performance spaces and practice areas located on the former campus of Sheldon Jackson College. The property is available to all Sitka residents. They can take classes at Sitka Fine Arts Camp, avail themselves of the chance to enjoy the open spaces on campus, use the physical education facilities at the Hames Center, or the ceramic cooperative at the Ceramics Building. No member of the public is excluded from using the facilities.

Alaska Arts Southeast is a non-profit organization that has been determined by the Internal Revenue Service to be tax-exempt under the provisions of Section 501(c)(3) of the Internal Revenue Code. No profit accrues to any person as a result of its activities on the Sheldon Jackson campus, apart from the incidental benefit to the employees of Alaska Arts Southeast. The vast majority of the facilities on the campus are used exclusively for charitable, educational, or community purposes. As noted in the attached pie graph, an extremely small percentage of the property is used to generate income from residential leases and even less than that percentage comes from rental to one small commercial enterprise. The remaining rental activity consists of rentals to other nonprofit organizations or to students or faculty whose use of the property is a necessary and essential part of the provision of charitable or educational benefits to the public at large. As shown in the attached spread sheet, the income derived from rentals is less than the cost of the use by those renters.

### **12. Explain how the use of this property is eligible for the exemption sought. Answer in relationship to the exemption being sought. Attach additional information as required.**

The lawns, grounds and pathways that are generally available to the public are exempt from property tax because they are a charitable and community benefit provided to a significant portion of the public without any profit to Alaska Arts Southeast. This property is used exclusively for charitable, educational, or community purposes. Even when campus spaces are not physically occupied by students, they are being prepared by the volunteer members of Alaska Arts Southeast for those exempt purposes, and therefore remain eligible for exemption. There are, however, some cottages and a few spaces within other buildings that are not exclusively used for charitable, educational or community purposes. A percentage of the property falls into that category, as shown on the attached pie graph. The use and eligibility for exemption for each building on the property at issue is described and explained below.

North Pacific Hall is eligible for an exemption because it is used to house faculty and occasionally college students. These uses are a necessary part of the charitable and educational mission of the Sitka Fine Arts Camp. Providing living space for faculty and students in this building allows them to remain on campus and establish a collegial atmosphere that enhances the learning experience for both parties. This use is directly incidental to the fulfillment of Sitka Fine Arts Camp's charitable and educational purpose.

The Ceramics Building should be exempt because it is used for the improvement of the mental and moral health of the general public. A cooperative ceramics program operates out of this building, in which participants contribute to the cost of materials and utilities used in creating ceramic products. This cooperative program is a healthy outlet for creative activities in a manner that is both charitable and educational. It also provides a community benefit because any member of the public can participate, and no profit accrues to anyone from the activity.

The Hames Center is used for the improvement of the physical, moral and mental health of the general public, and is therefore eligible for exemption as a charitable use. In addition, the Hames Center provides educational benefits because of the classes taught there, as well as the self-directed physical training that takes place at the Center. The Hames Center serves a community purpose since it is open to all members of the public and apart from the single paid manager, the Center is operated entirely by volunteers, none of whom realizes a profit from their work.

The Yaw Art Center, the Whitmore Building, the Power Plant Building, and the Yaw Chapel all contain classrooms used for teaching when camp is in session. These structures are all in significant disrepair, but they are nonetheless part of the charitable and educational mission of the Sitka Fine Arts Camp. These buildings also provide a community benefit, as they are historically significant to Sitka, and are available for use by the public. Both religious and educational organizations use the Yaw Chapel for instruction and community benefit. Meetings of visiting scientists and writers are held at the chapel by the Island Institute and Paths Across the Pacific. These activities improve the mental and moral health of Sitka in general, are open to all who wish to attend, and are not operated for profit.

The Rasmuson Building contains classrooms that are used by preschools and by the Headstart program. These activities are exempt because of their charitable and educational purpose. There are also meetings in the Rasmuson Building used by community theater groups, the Greater Sitka Arts Council and Headstart. These organizations are themselves tax-exempt nonprofit charitable or educational organizations. Since the space is being used for charitable or educational activity by other eligible organizations, no tax liability should be imposed upon the property owner. The office and storage and meeting rooms located in the Rasmuson Building that are used by Sitka Fine Arts Camp are an integral part of its charitable, educational, and community purpose activities. These rooms are exempt because Sitka Fine Arts Camp needs this space to operate its program, because it is a tax-exempt entity, and because there is no profit to anyone from its operation, apart from the incidental benefit to the employees of Sitka Fine Arts Camp. Finally, one small office in the Rasmuson Building is rented to Anderson Landscaping, a commercial enterprise. This 110 square foot space is not exempt.

The Kellogg Building provides staff housing for Alaska Arts Southeast and its campus partner Sitka Sound Science Center. The large conference room is rented to Youth Advocates, another nonprofit organization that provides residential child care treatment facilities. The use of the space for staff housing is an essential part of the charitable and educational mission of Alaska Arts Southeast because otherwise these staff members could not provide the direct and hands-on supervision that is afforded by an on-campus location. The staff of the Sitka Fine Arts Camp and the Sitka Sound Science Center need to be located on the Sheldon Jackson campus in order to oversee camp or Science Center activities that take place on other parts of the property. Those portions of the building that are used for staff housing or for Youth Advocates should therefore be exempt because of the direct and necessary connection between its use and the charitable and educational activities conducted by its occupants.

Sweetland Hall is a large dormitory and cafeteria that is used for students attending programs on the Sheldon Jackson campus. Those programs include the Sitka Fine Arts Camp, Youth Court, and activities involving visiting students from the University of San Francisco, Stanford, and other organizations. The use of the living spaces by students has a direct and necessary connection with the charitable and educational purposes of the Sitka Fine Arts Camp and the other educational organizations that use the campus.


The maintenance buildings consist of a shop, a maintenance shed, a paint shed, and a partially enclosed carport in which it is possible to work on four vehicles and other equipment. In order to maintain a large campus with numerous buildings in poor repair, it is essential to have a shop and vehicle bays. These buildings are therefore exempt from taxation as they are a vital adjunct to the operation of the Sitka Fine Arts Camp and the campus as a whole. Furthermore, the shop building is used as a classroom for carving classes, so that it constitutes an educational facility.

Austin House is a residential property that is set aside for four Americorps volunteers. Two of these volunteers work for Sitka Fine Arts Camp and one works for Sitka Sound Science Center. The use of this property by these volunteers constitutes a community purpose because there is no profit motive involved in renting the space, it is accomplished by a tax-exempt entity, and because of the value to the community in providing an affordable living space for these volunteers. There is a benefit to the general public because Americorps service is open to all members of the public. By charging a nominal rental to these volunteers, Sitka Fine Arts Camp makes it possible for Americorps to offer opportunities to greater numbers of the public to serve as volunteers in its national program.

The buildings or spaces within buildings that are not eligible for exemption consist of the office space in the Rasmuson Building rented to Anderson Landscaping, six units within the Kellogg building and five buildings that are shown on the attached spread sheet and identified as Beck Cottage, Craig Cottage, Wurster Cottage, Stuart Cottage A and Stuart Cottage B. The cottages are rented to private individuals who have close affiliations with the Sitka Fine Arts Camp, but who are not full-time volunteers or staff members. As noted in the attached spread sheet, these spaces constitute a small fraction of the property owned by Sitka Fine Arts Camp. Apart from these spaces, and for the reasons explained above, the property owned by the Sitka Fine Arts Camp is exempt from property taxation because it is being used for charitable, educational, or community purposes.

**I HEREBY APPLY FOR THE COMMUNITY PURPOSE EXEMPTION ON THE ABOVE DESCRIBED PROPERTY AS PROVIDED IN AS29.45.050**

**CERTIFICATION: I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT WILLFUL MISSTATEMENT IS PUNISHABLE BY A FINE OR IMPRISONMENT UNDER AS 11.56.210**

  
Signature of Officer or Official Representative

2/8/2012  
Date

Roger Schmidt  
Printed Name

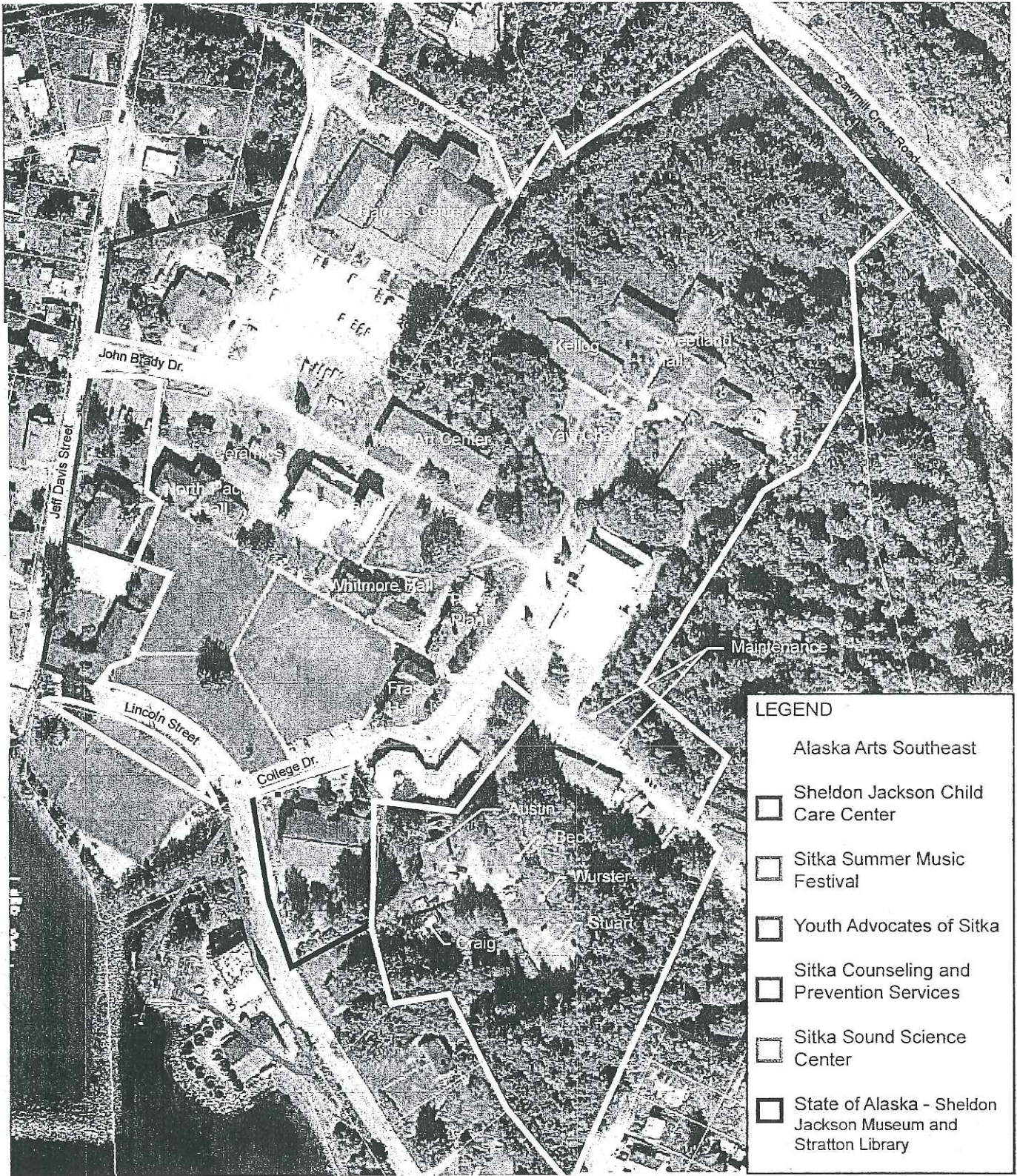
747-3085  
Phone Contact

Executive Director  
Title

**Attachments:**

1. Map of property
2. Current copy of Articles of Incorporation, Names of Director and Board members, and minutes of the last meeting.
3. Latest copy of the Constitution and By-Laws.
4. Copy of your Federal Tax exempt status 501 (c) (3) or 501 (c) (4) (Roger)
5. City and Borough of Sitka sales tax license or exemption determination.
6. A detailed statement regarding the nature of the organization and current use of the property.
7. An explanation of any grants or reimbursements from any government agency.
8. Current schedule of fees for SFAC programs and Hames Physical Education Center
9. Graphs showing property uses
10. Spreadsheet showing property uses
11. Spreadsheet showing rental income and expenses





## Alaska Arts Southeast, Inc.

Alaska Arts Southeast, Inc. and its campus partners are dedicated to the mission of education, art, science and culture for the enhancement of our community.



Not to Scale

February 6, 2012

# State of Alaska

Department of Commerce

Juneau

## CERTIFICATE OF INCORPORATION

The undersigned, as Commissioner of Commerce of the State of Alaska, hereby certifies that duplicate originals of the Articles of Incorporation of SOUTHEAST ALASKA REGIONAL ARTS COUNCIL, INC. duly signed and verified pursuant to the provisions of the Alaska Non-Profit Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Commissioner of Commerce, and by virtue of the authority vested in him by law hereby issues this Certificate of Incorporation of

SOUTHEAST ALASKA REGIONAL ARTS COUNCIL, INC.

and attaches hereto a duplicate original of the Articles of Incorporation \_\_\_\_\_



IN TESTIMONY WHEREOF, I have hereunto set my hand  
and affixed my official seal, at Juneau, the Capital, this

9th day of February A.D. 19 73

KENNETH W. KADOW  
COMMISSIONER OF COMMERCE

ARTICLES OF INCORPORATION

OF

SOUTHEAST ALASKA REGIONAL ART COUNCIL, INC.

ARTICLE I

The name of the corporation is SOUTHEAST ALASKA REGIONAL ART COUNCIL, INC.

ARTICLE II

This corporation shall commence upon the execution of these Articles of Incorporation, and shall continue in perpetuity.

ARTICLE III

This corporation is organized exclusively for educational, literary, and charitable purposes. In furtherance thereof the corporation shall endeavor:

1. To maintain and increase Alaska's cultural resources and artistic heritage.

2. To provide needed financial assistance to groups and communities.

3. To develop and support educational, artistic and cultural endeavors, and

4. To encourage greater creative activity, a higher quality of performance, and a more widespread involvement of all Alaskans in the enjoyment of the arts.

ARTICLE IV

The affairs of this corporation shall be managed by a Board of Directors. The number of directors shall be at least four and not more than ten. The number of directors shall be set forth in the corporation bylaws. The names and addresses of the initial directors who shall serve until their successors are duly elected are:

Maryia Coughlin	Box 207	Seagway, Alaska
Judy Ferguson	Box 152	Craig, Alaska
Ruth Sandvik	Box 526	Petersburg, Alaska
Ian Craddick	Box 673	Sitka, Alaska
Card Hind	90 Spruce St. Apartment 101	Juneau, Alaska
Raig Damerjian	Box 422	Aake, Alaska
Virginia Alepser	Box 239	Ketchikan, Alaska
Linda Larsen	Box 1152	Sitka, Alaska
Jane Harlow	326 4th St. # 905	Juneau, Alaska

The directors shall be elected at the annual meeting of the corporation which shall be held in a community in southeastern Alaska on the first Friday in October of each year. Directors shall be elected from and by the membership of the corporation.

Directors shall elect from their numbers a president, a vice president, a treasurer, and a secretary, whose duties shall be specified in the Bylaws.

#### ARTICLE V

The address of the initial registered office of the corporation is Box 678, Sitka, Alaska and the name of its initial registered agent at such address is Ms. Jan Cruddick.

#### ARTICLE VI

The highest amount of indebtedness for liability for which the corporation shall at any time be indebted shall be the sum of One Hundred Thousand Dollars (\$100,000.00).

#### ARTICLE VII

These Articles of Incorporation may be amended at any regular meeting of the members of the corporation or at any special meeting of the same called for that purpose, by a vote of two-thirds of the members present or represented at the meeting. No amendment of the Articles of Incorporation shall be made at any regular meeting, and no such action shall be

taken at any special meeting unless a notice is mailed to each member at his last address of record, at least twenty-one days prior to such regular or special meeting, stating that it is proposed that the Articles be amended at such regular or special meeting. Such amended Articles shall be executed and acknowledged by the officers in whom the management of the affairs of the corporation is vested, and shall be filed and recorded in the same place and manner as the original Articles.

#### ARTICLE VIII

In the event of termination, dissolution or winding up of this corporation in any manner or for any reason whatsoever, its remaining assets, if any, shall be distributed for one or more of the purposes set forth in Section 501 (c) (3) of the Internal Revenue Code, and any amendments thereto, and the rules and regulations promulgated thereunder.

#### ARTICLE IX

The names and addresses of the incorporators of the corporation are:

Jan Maddock

Box 675, Delta, AK 99825

GARY AND

90 SPRUCE ST. - APT. 101, JUNEAU, AK 99801

Virginia Kipper

Box 239 Delta, AK 99825

Virginia Kipper

Box 239 Delta, AK 99825

Virginia Kipper

Box 239 Delta, AK 99825

Ruth W. Sandvik

Box 526 Petersburg, Alaska

99833

SAFF at Prangell, Alaska, this

4 day of February, 1973.

Jan Maddock

GARY AND

Virginia Kipper

Virginia Kipper

Virginia Kipper

Ruth W. Sandvik

STATE OF ALASKA )

FIRST JUDICIAL DISTRICT ) ss.

THE UNDERSIGNED that before me, a Notary Public for Alaska, personally appeared Jan Maddock, GARY AND

Virginia Kipper and Ruth W. Sandvik

who are to me known and known to me to be the persons who executed the foregoing articles of incorporation and they

severally acknowledged to me under oath duly administered  
by me that they executed the same freely and voluntarily for  
the uses and purposes therein mentioned.

WITNESSE my hand and official seal this 11th day  
of FEBRUARY, 1977.

[Signature]  
Notary Public for Alaska  
My commission expires: [ ]



## Alaska Arts Southeast Inc. Board of Directors 2011/2012

<b>Board Member</b>	
<b>Lauren Allen</b>	<b>Vice President</b>
<b>Wendy Alderson</b>	
<b>Peter Apathy</b>	<b>President</b>
<b>Colleen Dahlquist</b>	<b>Treasurer</b>
<b>Kris Fulton</b>	
<b>Karen Grussendorf</b>	
<b>Hannah Guggenheim</b>	
<b>Karen Jones</b>	
<b>Ted Laufenberg</b>	
<b>Sam Skaggs</b>	
<b>Kathryn Snelling</b>	<b>Secretary</b>
<b>Tracy Turner</b>	
<b>Executive Director</b>	
<b>Roger Schmidt</b>	
<b>Program Manager</b>	
<b>Kenley Jackson</b>	
<b>Development Coordinator</b>	
<b>Cassi Olson</b>	

Alaska Arts Southeast, Inc.  
Board Meeting Minutes  
January 21, 2012

President: Peter Apathy  
Vice Pres.: Lauren Allen  
Secretary: Kathryn Snelling  
Treasurer: Colleen Dahlquist

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Present: Lauren Allen, Wendy Alderson, Peter Apathy, Colleen Dahlquist, Kris Fulton, Hannah Guggenheim, Karen Jones, Ted Laufenberg, Sam Skaggs on speaker phone, Kathryn Snelling, Tracy Turner, Roger Schmidt, Cassi Olson. A quorum established; 11 members with minimum required being 6. Absent: Karen Grussendorf  
Guests: Ken Castner and Pat Kehoe

Called to order 9:06am by Pres. Peter

**Motion/Second, Ted /Karen, to approve minutes of Dec. 10, 2011. Motion carried 11-0**

Director's Report:

- Roger attended the Creative Communities Conference in Anchorage. This was excellent and he wished board members could have been there. A major study "The Soul of the City" focused on why people chose to live in a community and how arts are central to what makes a community vibrant.
- Alon Yavnai concert is tonight. The Green Room refreshments are organized. Board members are invited to the reception at Ludvig's Bistro following the concert.
- Volunteers needed Tuesday to help with mailing, several board members signed up
- Work Parties will be every Saturday starting Jan 28<sup>th</sup> with a push on getting Allen ready.
- Roger gave kudos to all staff including Custodial, Maintenance and J Bradley as Dec. and Jan. have been extra busy months for them.
- This is "grant season" so have several in process
- Ceramics Co-op at 8 members so far
- Sandy Fontaine is starting a series of elementary arts classes next Mon.
- USDA Loan: Have sent letters to the Undersecretary to possibly change to a grant otherwise may be looking at long term payment plan

Building committee: Mat Turner, James Poulson, Mike Wild, Chan Richards, Pete Weiland and Ted Laufenberg, Chair

- Ted submitted a list of building needs to which Mat has a spreadsheet with approx. costs
- Working to be more deliberative with their plan for the whole campus
- The committee meets every Tuesday @ 3:30 in Rasmussen and is open to all
- Asks the Board approve the project plan for the rest of this year at the next meeting

Finance: Peter, Colleen, Sue Litman-ex officio and Sam, Chair

- Property Tax – the attorney has written a draft report on why we qualify for exemption. The goal is to have a complete package by Feb 1. Deadline for submission to the city is February 15.
- Would like board members to come to a Juneau meeting and help finalize the presentation. Ken Castner is on the committee working on this.

- 
- Insurance – Annual cost is \$83K for everything (property, vehicles, etc). Property insurance is based on values carried over from SJC. The committee will look at what we really need but recommendation is to keep this policy another year.
  - Taxes - Working with Christine Harrington filling out the 990 and a 990T forms
  - Audit - recommend this be done by Nov. or Dec. 2012. Cost is estimated between \$5K-\$10K and will have to be built into next year's budget

Capital Campaign Committee needs money for their projects and there is no board operating budget. **Motion/Second, Ted/ Lauren, to authorize up to \$5,000 to Capital Campaign Committee to advance the purposes of the committee. Carried 11-0**

Capital Campaign: Ted, Wendy, Cassi - Development Coordinator and Tracy, Chair

- They submitted an outline of goals and figures raised - Cassi will send a copy to Sam
- The website will see some changes to reflect the work on campus and include a link to an Electronic Media Package
- Thank you cards for board members to sign will be brought to future board meetings
- Talked about the history section in Allen - an ad hoc committee could be formed
- Encouraged board members to seek out people who will fund raise in their communities
- Gift Bricks for Allen entry way - working to see if cost effective – the money raised through this will go toward walkways and entries on campus
- Hannah presented ideas to get our story out using a viral video launch to be scheduled sometime in April.
- Blogging -- we have a Blog but it is not very active after summer - need to get it re-energized

Board Development: Karen G., Karen J., Wendy and Lauren, Chair

- Ask that board members complete the ED Evaluation and get to Lauren by February 1.

Ex Committee: Lauren, Colleen, Kathryn and Peter, Chair

- Committee did not meet since last board meeting

Other:

Pat Kehoe is interested in forming an ad hoc committee to promote adult art classes on campus and other kinds of arts camps that would be scheduled at other times than SFAC

Ken Costner has been working with estimates on Allen. He has had contacts with people who have strong emotional connections with the campus and feels there is support to be tapped.

Board members bringing food for the Green Room tonight need to get it there by 5pm  
Meeting adjourned

Alaska Arts Southeast, Inc.  
Board Meeting Minutes  
January 21, 2012

President: Peter Apathy  
Vice Pres.: Lauren Allen  
Secretary: Kathryn Snelling  
Treasurer: Colleen Dahlquist

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Next meeting is Feb 11<sup>th</sup> 9:00am in the Yaw Chapel

NOTE: The March meeting may need to be on a day other than Sat. due to work parties.

Submitted for approval by Kathryn Snelling

**BYLAWS  
OF  
ALASKA ARTS SOUTHEAST, INC.**

Including Amendments as of December 10, 2011

**ARTICLE  
NAME**

The name of this corporation shall be ALASKA ARTS SOUTHEAST, INC.

**ARTICLE II  
PURPOSE**

ALASKA ARTS SOUTHEAST, INC. is a non-profit corporation incorporated under the laws of the State of Alaska and created to build community in Alaska by providing opportunities in arts, culture and recreation in an inclusive, educational and inspirational environment.

Section 1. The purposes of the corporation are set forth in its Articles of Incorporation and shall be defined as educational and charitable according to Section 5(c)(3) of the Internal Revenue Code 1954 (or the corresponding provisions of any future United States Internal Revenue Law).

Section 2. No part of the net earnings of the corporation shall inure to the benefit of or be distributable to its Board of Directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Section 1 hereof. Notwithstanding any other provision of these articles, the corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

Section 3. Upon the dissolution of the corporation, the Board of Directors shall after paying or making provision for the payment of all of the liabilities of the corporation, dispose of all assets of the corporation exclusively for the purposes of the corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Superior Court for the State of Alaska, First Judicial District exclusively for such purposes or to such organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

Section 4. To do and engage in any and all lawful activities that may be incidental or reasonably necessary to the foregoing purposes and to have and exercise all other powers and authority now or hereafter conferred upon non-profit corporations under the laws of the State of Alaska.

**ARTICLE III  
PLACE OF BUSINESS**

Section 1. The principal office of the corporation shall be located at P.O. Box 3086, Sitka, Alaska 99835.

Section 2. Other offices for the transaction of business may be located at such places as the Board of Directors may from time to time determine.

**ARTICLE IV  
DURATION**

The duration of this corporation shall be perpetual.

**ARTICLE V**

Section 1. The business and property of the corporation shall be managed by a Board of no fewer than seven (7) and no more than thirteen (13) Directors.

- A. Directors shall serve for three (3) years or until the election, qualification and acceptance of office of duly elected successors.
- B. Any vacancy occurring in the Board of Directors by reason of resignation, death or disqualification of an elected member of the Board shall be filled by a majority vote of the remaining members of the Board of Directors. Any Director with two or more unexcused absences within one year will be asked by the Board of Directors for reconsideration of commitment and effectiveness of his/her participation on the Alaska Arts Southeast, Inc. Board of Directors. Based on that reconsideration, the Board of Directors may require that Director's resignation. A Director may be removed, with or without cause, by a 2/3 vote of all Directors then serving in office, at any meeting where there is a quorum present.
- C. Directors shall receive no compensation for their services as Directors except that expenses of travel and other expenses may be authorized by a majority of the Board of Directors.

Section 2. Full authority to administer all properties, monies and affairs of the corporation shall be vested in the Board of Directors, and these responsibilities may in turn be transferred or delegated by the Board to such members or committees as it may see fit from time to time to appoint.

**ARTICLE VI  
OFFICERS**

Section 1. Officers of the corporation shall be a President, Vice-President, Secretary and a Treasurer.

Section 2. Officers shall be elected by the Directors of the corporation from their numbers. Each officer shall serve for a period of two (2) years, or until the election, qualification and acceptance of office by his/her duly elected successor, whichever is sooner.

Section 3. The President shall be the principal executive officer of the corporation and shall in general supervise and control all of the business affairs of the corporation, subject to the orders of the Board of Directors. He/She shall sign with the Secretary, Treasurer, or other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed. The President shall appoint no later than the last meeting before the annual meeting three members of the nominating committee. The committee shall submit a slate of replacements for outgoing board members. The President shall invite, upon the advice and approval of the Directors, persons to serve as special counsel to the Board of Directors.

Section 4. The Vice-President shall carry out the duties of the President in the absence or incapacity of the President.

Section 5. The Treasurer shall maintain knowledge of the organization and personal commitment to its goals and objectives, understand financial accounting for nonprofit organizations, serve on the finance committee, manage, with the finance committee, the board's review of and action related to the board's financial responsibilities, work with the Executive Director and the finance committee to ensure that appropriate financial reports are made available to the board on a timely basis, review and present the annual budget to the board for approval and answer board members' questions about the budget and finances.

Section 6. The Secretary is responsible for ensuring that accurate and sufficient documentation exists to meet legal requirements, and to enable authorized persons to determine when, how, and by whom the board's business was conducted. In order to fulfill these responsibilities, and subject to the organization's bylaws, the Secretary records minutes of meetings, ensures their accuracy, and availability, proposes policies and practices, submits various reports to the board, maintains membership records, fulfills any other requirements of a Director and Officer, has charge of the corporate seal, and performs other duties as the need arises and/or as defined in the bylaws.

Section 7. In addition to the above assigned duties, officers shall make such reports and perform such other duties as are incident to their respective offices or are properly required of them by the Board of Directors.

**ARTICLE VII  
ELECTIONS**

Section 1. Election of the Directors shall take place at the annual meeting and shall be by ballot cast by members of the Board. A majority of the votes cast shall be necessary to elect.

Section 2. If elections are not held at the regular annual meetings, they shall be held as soon thereafter as is convenient.

**ARTICLE VIII  
MEETINGS**

Section 1. The annual meeting of the Board of Directors shall be held on the first Friday of October or alternate date in October if approved by majority vote of the Board of Directors for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.

Section 2. A quorum at any meeting of the Board of Directors shall consist of a majority of the members. A majority of votes cast shall decide any questions that may come before the meeting unless specifically otherwise provided for herein; but no business except to adjourn to a later date shall be transacted unless a quorum as herein defined is present.

**ARTICLE IX  
WAIVER OF NOTICE**

Any notice of any regular meeting or any special meeting which is required by the Bylaws, the laws of the United States or the State of Alaska, or the Articles of Incorporation to be given to the Directors of the Corporation may be waived in writing by any director or by the personal or proxy attendance of such Director at such meeting.

**ARTICLE X  
RULES AND WAIVER OF RULES**

Robert's Rules of Order shall govern all meetings. Any rule or procedure prescribed herein for regular and special meetings of the Directors other than those rules dealing with quorum and vote requirements may be waived on motion or resolution adopted by a majority of votes cast which said waiver shall be noted in the minutes of the meeting.



**ARTICLE XI  
CONTRACT, DEPOSITS AND FUND**

Section 1. Contracts for this corporation shall be made on behalf of the corporation and upon such terms as the Board of Directors or other authorized representatives of the corporation shall in each case determine. The Board of Directors may contract for or employ an executive secretary and define his/her duties as they see fit and may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws to enter into any contract or execute and deliver any instrument in the name of or on behalf of the corporation and such authority may be general or confined to specific instances.

Section 2. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such bank, trust company or other depository as the Board of Directors may select.

Section 3. All revenues shall be devoted to the carrying out of the general purposes of the corporation.

Section 4. The Board of Directors may contract for or employ necessary staff to carry out the goals and objectives of the organization as defined in Article II of these Bylaws, define the duties as they see fit, and authorize any officer or officers, agent or agents of the corporation.

**ARTICLE XII  
FISCAL YEAR**

The fiscal year for the corporation shall begin on the first day of October and end on the last day of September in each year.

**ARTICLE XIII  
SEAL**

The Board of Directors shall provide a corporate seal which shall be in the form of a circle to have inscribed thereon the name of the corporation and the words "Corporate Seal of ALASKA ARTS SOUTHEAST, INC. 1973".

**ARTICLE XIV  
AMENDMENTS**

These Bylaws may be amended, repealed or altered in whole or in part by a vote of three-fifths of the voting board of the corporation present or represented at any meeting when such action has been announced in a notice of such meeting.

**ARTICLE XV**

## **DISSOLUTION**

At any regular meeting or any special meeting called and noticed for such purpose, the corporation may elect to dissolve by a vote of two-thirds of the Board of Directors. Directors may cast their votes in person or by written ballot received by the Secretary prior to the time of such meeting. In the event such dissolution is voted, the Board of Directors shall designate three (3) board members as trustees who, on behalf of the corporation shall liquidate its assets and distribute them in accordance with the provisions of the Articles of Incorporation.

## **ARTICLE XVI CONTROLS**

A performance evaluation of the Executive Director shall be done by the board annually. Executive Director shall do an annual evaluation of the staff.

## APPENDIX

The following Articles were amended at 10/21/97 Annual Meeting in Sitka, Alaska.

Article I	Article VIII, Section 2
Article II	Article IX
Article III, Section 1	Article X
Article V, Section 1a; 1b	Article XI, Section 1
Article V, Section 2	Article XII
Article VI, Section 2	Article XIII
Article VI, Section 3	Article XIV
Article VII, Section 1	Article XV
Article VIII, Section 1	

The following Articles were amended at 10/31/98 Annual Meeting in Sitka, Alaska.

Article VI, Section 2

The following Articles of the above Bylaws of Sitka Fine Arts Camp, Inc. were amended at the duly held annual meeting on November 11, 2000.

Article V, Section 1  
Article VI, Section 4  
Article VI, Section 6

The following Articles of the above Bylaws of Sitka Fine Arts Camp, Inc. were amended at the duly held annual meeting on October 11, 2003.

Article XII

The following Articles of the above Bylaws of Alaska Arts Southeast, Inc. were amended at a duly held meeting on March 11, 2007.

Article I  
Article II  
Article V, Section 1(B)  
Article XII  
Article XIII

The following Articles of the above Bylaws of Alaska Arts Southeast, Inc. were amended at a duly held meeting on December 10, 2011.

Article II  
Article VI, Section 4  
Article VI, Section 5  
Article VI, Section 6  
Article VI, Section 7  
Article XVI

KNOW ALL PEOPLE BY THESE PRESENTS, that I, the undersigned, the duly elected and acting Secretary of ALASKA ARTS SOUTHEAST, INC., a non-profit corporation, do hereby certify that the forgoing Bylaws were duly adopted as the Bylaws of said corporation by a majority vote of all the Board of Directors present or represented at a duly called and held meeting at Sitka, Alaska, on the 10<sup>th</sup> day of December, 2011.

IN WITNESS THEREOF, I have hereunto set my signature and affixed the corporation's seal on this the 10<sup>th</sup> day of December, 2011.

Kathryn Snelling, Secretary

Internal Revenue Service

Department of the Treasury

P. O. Box 2508  
Cincinnati, OH 45201

Date: October 17, 2001

Person to Contact:  
Jackie Johnson 31-07453  
Customer Service Specialist

Alaska Arts Southeast, Inc.  
P. O. Box 3086  
Sitka, AK 99835-3086

Toll Free Telephone Number:  
8:00 a.m. to 9:30 p.m. EST  
877-829-5500

Fax Number:  
513-263-3756

Federal Identification Number:  
23-7240278

Dear Sir or Madam:

This letter is in response to your request for a copy of your organization's determination letter. This letter will take the place of the copy you requested.

Our records indicate that a determination letter issued in August 1975 granted your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Alaska Arts Southeast, Inc.  
23-7240278

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

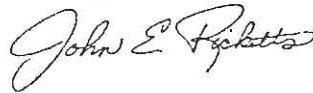
The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. If your organization had a copy of its application for recognition of exemption on July 15, 1987, it is also required to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,



John E. Ricketts, Director, TE/GE  
Customer Account Services

**Alaska Department of Commerce, Community, and Economic Development**  
Division of Corporations, Business and Professional Licensing  
P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

**ALASKA ARTS SOUTHEAST, INC.**

PO BOX 3086 SITKA AK 99835

owned by

ALASKA ARTS SOUTHEAST, INC.

is licensed by the department to conduct business for the period

February 02, 2011 through December 31, 2012  
for the following line of business:

53 - Real Estate, Rental and Leasing



This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location. It is not transferable or assignable.

Susan K. Bell  
Commissioner

Detailed Statement regarding the nature of Alaska Arts Southeast dba Sitka Fine Arts Camp and use of the property.

Alaska Arts Southeast, Inc. also known as the Sitka Fine Arts Camp was founded in 1973 as a summer school for Alaskan kids with the goal of providing a high quality educational opportunity in the Arts that was not regularly available to kids from isolated Alaskan communities. Since that time, thousands of students have attended the camp. Many have used their training at the camp to launch professional careers in the arts. In 2004, the Sitka Fine Arts Camp was selected by the National Endowment for the Arts as one of ten exemplarily summer schools in the Arts. That same year, Director, Roger Schmidt received the Governor's Award for Arts Education. For the next three years, the program was studied by the National Endowment for the Arts and the educational consulting firm: WestEd to better understand the impact of summer schools in the arts. Using state and national arts education standards, outside evaluation demonstrated that students attending our school made significant gains in knowledge and skills and, in addition, self-esteem and confidence. In 2007, the Sitka Fine Arts Camp received the Coming Up Taller Award from the President's Committee on the Arts and Humanities which "...recognizes exemplary arts and humanities programs which foster young people's intellectual and creative development. Programs recognized by these awards provide opportunities for American youth to contribute to their communities through learning and practical experiences in the humanities and arts endeavors." This award was presented to the Camp by First Lady Laura Bush at a ceremony at the White House.

Last summer 567 students attended from 37 Alaskan communities and 21 states. The Camp offered over 60 classes in music, dance, visual arts, writing, theater, Alaska Native Art. Each year, our teaching artists are selected from throughout the United States for their excellence. Many, in addition to being professional artists, teach at schools such as University of Alaska, CalArts, Oberlin, Berklee School of Music, and Johns Hopkins University. Students attending the Sitka Fine Arts Camp are eligible for University of Alaska credits and as well as high school Carnegie credits.

In addition to running Sitka Fine Arts Camp, Alaska Arts Southeast administers other educational programs including;

- 1) Providing the technical management and training of students to run the Sitka High School Performing Arts Center
- 2) The Artist in the Schools program which brings teaching artists into the Sitka School District to augment curriculum.

When the Sheldon Jackson Campus was gifted to Alaska Arts Southeast, our board elected to reopen the Hames Center as a community driven wellness and recreation center. At the heart of the Hames Center's mission is education, demonstrated by a broad range of classes that community members can participate in weekly.

The primary use of the Sheldon Jackson Campus for over 100 years has been for education. After closing the college, the Board of the Sheldon Jackson College Trustees preserved the core campus to continue its educational legacy. In gifting this property to us, they recognized the core purpose of Alaska Arts Southeast and the Sitka Fine Arts Camp as educational.



## **Alaska Arts Southeast, Inc. dba Sitka Fine Arts Camp Government Grants FY2012**

National Endowment for the Arts "Our Town Grant" To provide funding to develop arts programs on the Sheldon Jackson Campus for summer 2012 --- \$100,000

Alaska State Council on the Arts. To provide funding for the annual Sitka Fine Arts Camp. \$16,033

Alaska State Council on the Arts. Artist in the Schools Grant. To provide funding to bring teaching artists to our schools. \$5,500

Alaska State Council on the Arts. Career Opportunity Grant. To provide funding to attend a conference on arts and community development. \$750

State of Alaska Office of History and Archaeology: Public Preservation Education Grant. \$20,090

## **Sitka Fine Arts Camp Fees:**

Elementary Session, June 11-15, \$155

Middle School Session, June 17-30, \$730 (\$1085 for students staying in dorm)

High School Session, July 1-15, \$745 (\$1095 for students staying in dorm)

### Hames Center

The Hames Center is a non-profit gym supported by members and volunteers. It provides community driven recreation, fitness and wellness.

#### Mission Statement

The mission of the Hames Center is to promote and support a community approach to personal community wellness through health promotion, indoor activity access, education programming, and service to the community of Sitka. We are committed to provide opportunities that expand access to wellness and health through physical, mental, emotional, spiritual, social and environmental well-being.

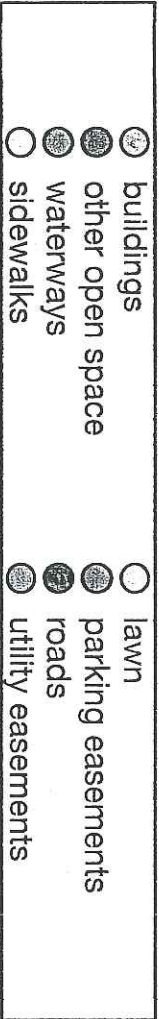
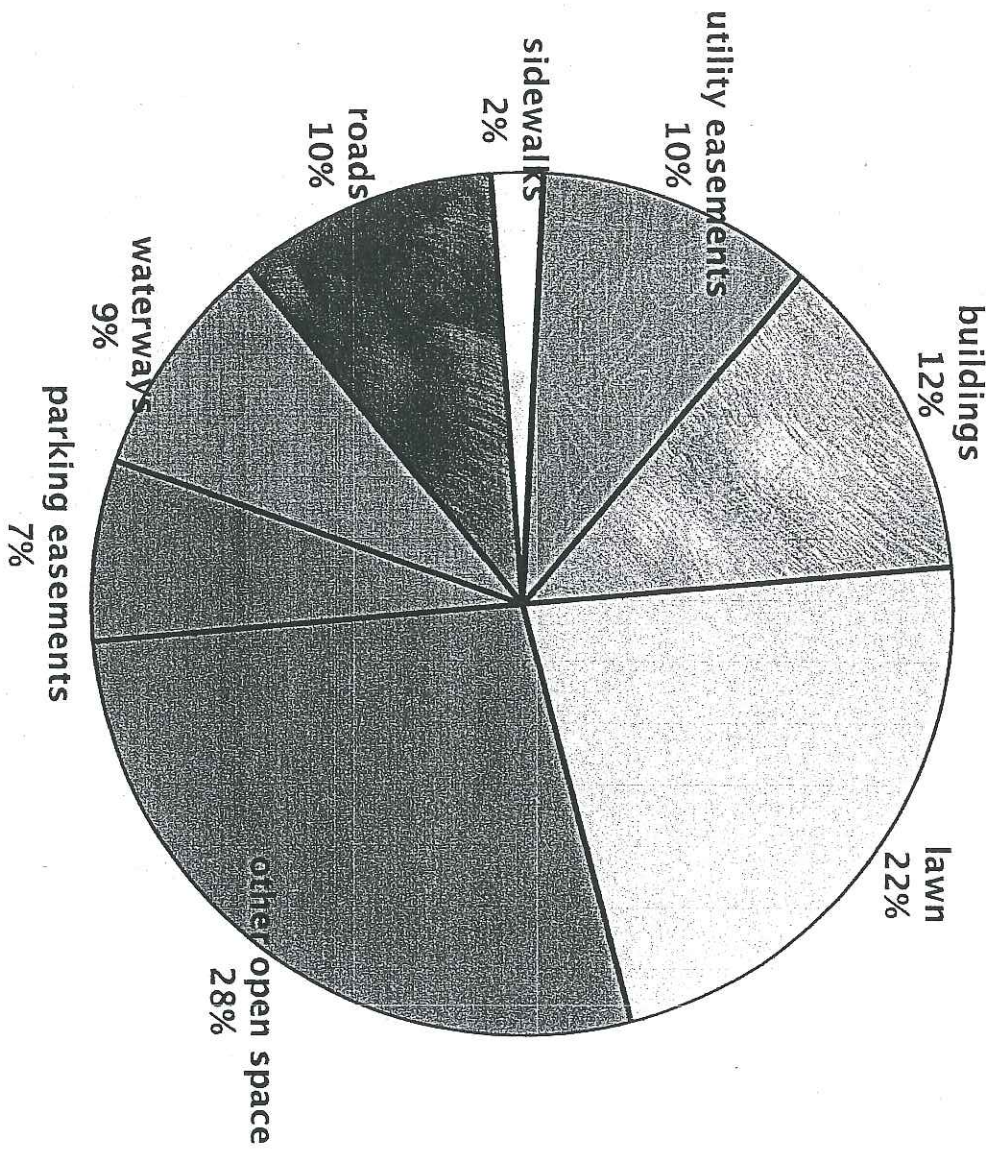
### Membership Rates (add 5% city sales tax)\*

Member Type	Individual	Youth 18 and under	Senior 65 and older	Family 2 adults & kids 18 & under in same house
Annual Prepaid	\$495.00 (\$41.25 mo)	\$247.50 (\$20.62 mo)	\$371.00 (\$30.92 mo)	\$990+tax (\$82.50 mo)
Monthly Autopay	\$50.00	\$25.00	\$37.50	\$100.00
Monthly	\$60.00	\$30.00	\$45.00	\$120.00
Daily	\$7.62	\$3.81	\$6	

### Class Rates

Class Pass	20 Classes	20 Classes
	<u>Members:</u> \$5/class x 20 \$100	<u>Non-Members:</u> \$12/class x 20 \$240
Daily Class Pass	One Time Drop In:	One Time Drop In:
	<u>Members:</u> \$6	<u>Non-Members:</u> \$13

Individuals have the opportunity to volunteer 4 hours per week in exchange for a monthly membership.

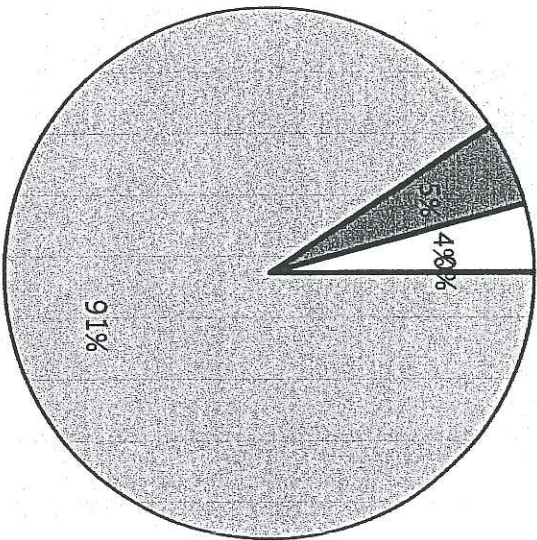


USE	ACRES
buildings	2.55
lawn	4.6
other open space	5.7
space	
parking easements	1.4
roads	2.0
sidewalks	0.4
utility easements	2.15
waterways	1.8
TOTAL	20.6

## BUILDING USE

The Campus includes 20.6 acres of land; 2.55 acres consists of buildings. The buildings have a total of 249,255 square feet of space.

Total Exclusively used to support Alaska Art Southeast's mission SQFT	206,630
Total Other Educational, Charitable or Community Purpose Rental SQFT	11,540
Total Residential Rental SQFT	9,430
Total Commercial Rental SQFT	110



- Buildings exclusively used to support Alaska Art Southeast's mission
- Total Educational, Charitable or Community Purpose Rental SQFT
- Total Residential Rental SQFT
- Total Commercial Rental SQFT

Building	Address	Room #	Primary Purpose	Tenants
North Pacific Hall	110 John Brady		Faculty Housing	
Ceramics Building	120 John Brady		Classrooms	
Hames Center	121 John Brady		Classrooms Physical Education & Recreation	
Allen Auditorium	130 John Brady		Classrooms	
Yaw Art Center	131 John Brady		Classrooms	
Whitmore Hall	140 John Brady		Student dorm and classrooms	
Fraser Hall	105 College Dr.		Student dorm and classrooms	
Power Plant	107 College Dr.		Classrooms	
Rasmuson	110 College Dr.		Classrooms	
		101	Classrooms	3 to 5 preschool: educational / Non-Profit
		101A	Storage room	Fine Arts Camp Storage & Local band rehearsal space
		102		Anderson Landscaping
		104	Storage room	
		105	Storage room	
		106	Storage room	
		107	Storage room	
		108	Meeting Room	
		109	Meeting Room	
		110	Kitchenette	Headstart; educational / Non-Profit
		111	Office Space	
		112	Classrooms	
		113		Headstart; educational / Non-Profit









Rental Income and Expense  
2011

	<u>Rents</u>	<u>Utilities</u>	<u>Rep/Maint</u>	<u>Insurance</u>	<u>Prop Management</u>	<u>MISC</u>	<u>Tot Expense</u>	<u>Net Profit</u>
Austin-110 Hillcrest	18,998	1,630	2601	1006	2850	3119	11206	7,792
Beck-111 Hillcrest	14,789	288	7339	343	2218	2422	12610	2,179
Craig-120 Hillcrest	15,735	1870	14,265	643	2,360	2,588	21726	-5,991
Wurster-121 Hillcrest	11,175	256	6829	343	1676	1825	10929	246
Stuart A-131 A Hillcrest	7,800	1,990	3517	215	1170	1261	8153	-353
Stuart B-131B Hillcrest	10,500	1350	3517	215	1575	1725	8382	2,118
Rasmuson	34,878	18,715	3720	10,572	5,231	5,740	43978	-9,100
Yaw Chapel	16,881	1985		243	2532	2787	7547	9,334
Kelllogg	58,637	9076	32769	771	8795	9688	61099	-2,462
Sweetland	9,527	28264	21,212	15716	1,429	1,559	68180	-58,653
	198,920	65,424	95,769	30,067	29,836	32,714	253810	-54,890



**CITY AND BOROUGH OF SITKA**  
**ASSESSOR**  
 100 Lincoln Street  
 Sitka, AK 99835  
 (907) 747-1822

**REAL PROPERTY**  
**ASSESSMENT NOTICE**

**ALASKA ARTS SOUTHEAST, INC.**  
**HAMES CENTER**  
**BOX 3086**  
**SITKA AK 99835**

**TAX YEAR: 2012**

MAILING DATE: **3/12/12**

APPEAL MUST BE FILED WITH ASSESSOR BY: **4/12/12**

BOARD OF EQUALIZATION WILL MEET ON: **5/07/12**

SERIAL NUMBER
<b>1-8562-017-000-0000</b>

SURVEY	LOT	BLOCK	LOT	SUBDIVISION	BLOCK	LOT
<b>US407B</b>	<b>9</b>			<b>SJCM</b>		

STREET ADDRESS
<b>121 JOHN BRADY DR</b>

LAND VALUE	BUILDING VALUE	TOTAL ASSESSED VALUE
<b>745,700</b>	<b>1,521,600</b>	<b>2,267,300</b>

Assessed values on property listed in your name have been established as shown above and reflect 100 percent of fair market value on January 1 of the tax year.

**PLEASE NOTIFY THE ASSESSOR OF ANY ERRORS, OMISSIONS OR CHANGES.**

The appeal period expires 30 days after the date of this notice.

Board of Equalization will meet in Harrigan Centennial Hall at 6:00 p.m. to hear appeals not adjusted by the Assessor. Appellants bear the burden of proof of excessive valuation, inequities in assessment, or improper assessment.

**THIS IS NOT A TAX BILL**  
**Tax statements will be issued**  
**on or about July 1**

City and Borough of Sitka, Alaska

1-8562-017



- A Address No.
- A Parcel ID
- 2007 Comp. Plan
- A Tract Ownerships
- Zoning
- Flood Zones
- Streets
- Parcels
- Nautical Charts

**MainStreetGIS**  
www.mainstreetgis.com

MainStreetGIS makes no warranties, expressed or implied, concerning the accuracy, completeness, reliability, or suitability of these data and does not assume any liability or associated with the use or misuse of this information.

1 in = 203.48 ft

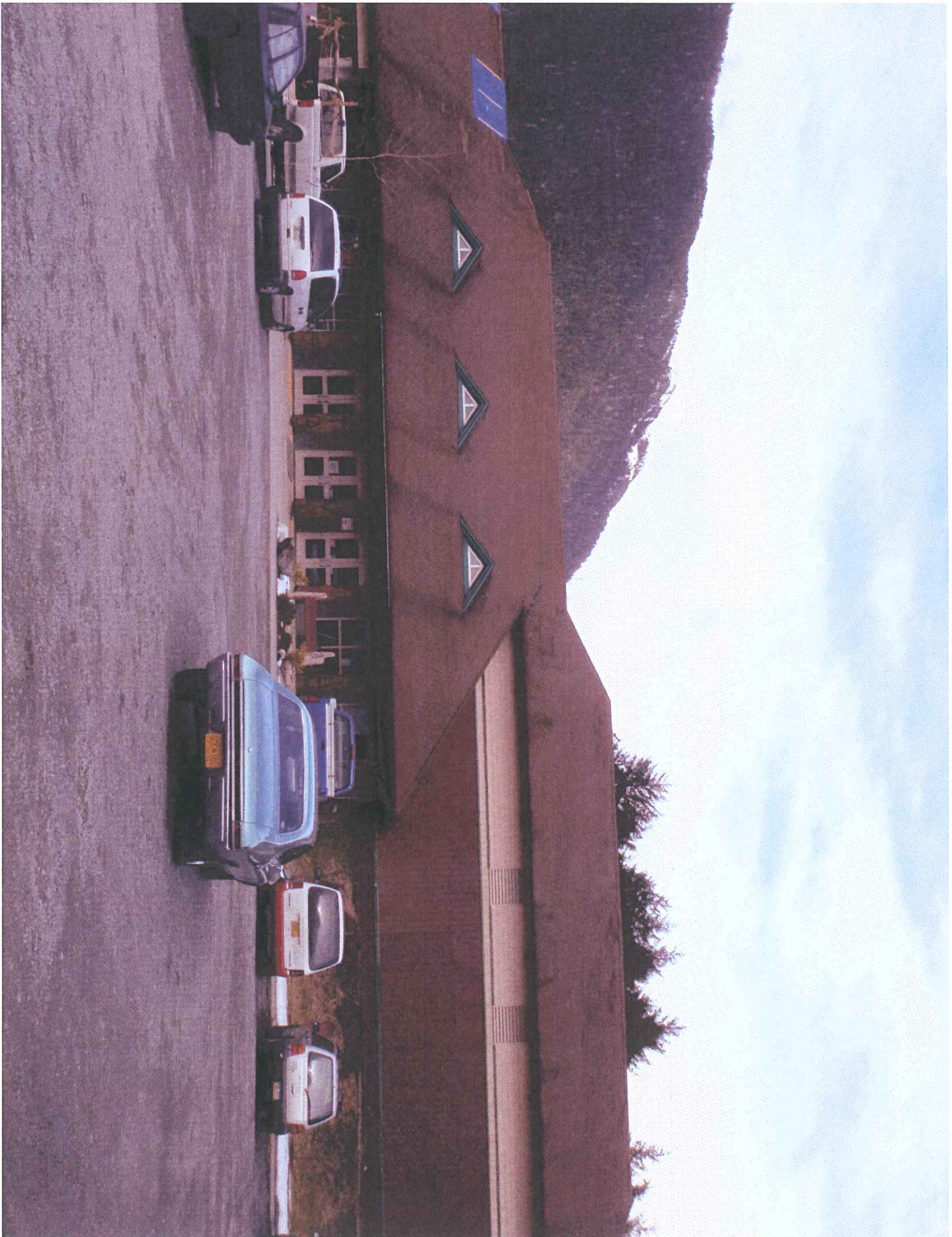


1 : 2441.76

Last Update: Property Records 10/1/2011 GIS Parcel Lines 8/1/2011



SJ East - Recommended Footprint on SMC to the Indian River Head with the ROW



## **SITKA GENERAL CODE**

### **4.12.025 Exemptions.**

- A. The following property is exempt from general taxation: All properties required to be exempt from taxation under AS 29.45.030 which are adopted and incorporated by reference.
- B. Required exemptions shall be granted and claimed as set forth under the procedures in AS 29.45.030 which are adopted and incorporated by reference.
- C. Definitions relating to required exemptions set forth in AS 29.45.030 are also adopted and incorporated by reference.
- D. For all tax years beginning with the 2002 tax year, the senior citizen or disabled veteran required exemptions set forth in AS 29.45.030(e) and (f) may not be granted except upon written application on a form provided by the assessor. A once qualified senior citizen or disabled veteran need not file the application for successive tax years but must notify the assessor of any change in ownership, residency, permanent place of abode or status of disability.
- E. The community purpose optional property tax exemption under AS 29.45.050(b)(1)(A) is adopted and incorporated by reference. All or a portion of the property of an organization not organized for business or profit making purposes and used exclusively for community purposes, may be exempted if income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter.
- F. Business property inventory that is subject to sale and is nonreal property shall be exempt from taxation, as an optional exemption as set forth in AS 29.45.050(c).
- G. Exemption application shall be filed by February 15th of each year. The assembly for good cause shown may waive the claimant's failure to make timely application and authorize the assessor to accept the application as if timely filed. If a failure to timely file has been waived and the application approved, the amount of the tax that the claimant has already paid for the property exempted shall be refunded to the claimant.

H. Each optional exemption must receive prior approval by the assembly, giving consideration to the benefits provided the community by the organization and to the amount of property to be removed from the tax rolls.

In order to be considered a community service organization, an organization must:

1. Benefit a significant portion of the public; and
2. Not profit persons other than employees; and
3. Qualify for a federal income tax exemption under 26 USC 501.

I. Required property tax exemptions shall be granted or denied by the assessor. Optional property exemptions shall be granted or denied by the assembly. Any appeal from the final administrative decision by the assessor or the assembly must be filed within thirty days of the decision to the Alaska Superior Court at Sitka in accordance with Alaska Rules of Appellate Procedure.

J. The assessor shall periodically review required and optional property exemption status to determine whether the taxpayer and use of the property still qualifies for the exemption.

(Ord. 11-23 § 4, 2011; Ord. 06-50 § 4 (part), 2007; Ord. 02-1658 § 4, 2002; Ord. 01-1616 § 4, 2001; Ord. 89-895 § 4, 1989; Ord. 86-694 § 4, 1986.)

## Alaska Statutes

### AS 29.45.050. Optional Exemptions and Exclusions.

**(a)** A municipality may exclude or exempt or partially exempt residential property from taxation by ordinance ratified by the voters at an election. An exclusion or exemption authorized by this subsection may be applied with respect to taxes levied in a service area to fund the special services. An exclusion or exemption authorized by this subsection may not exceed the assessed value of \$20,000 for any one residence.

**(b)** A municipality may by ordinance

**(1)** classify and exempt from taxation

**(A)** the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter;

**(B)** historic sites, buildings, and monuments;

**(C)** land of a nonprofit organization used for agricultural purposes if rights to subdivide the land are conveyed to the state and the conveyance includes a covenant restricting use of the land to agricultural purposes only; rights conveyed to the state under this subparagraph may be conveyed by the state only in accordance with AS [38.05.069\(c\)](#);

**(D)** all or any portion of private ownership interests in property that, based upon a written agreement with the University of Alaska, is used exclusively for student housing for the University of Alaska; property may be exempted from taxation under this subparagraph for no longer than 30 years unless the exemption is specifically extended by ordinance adopted within the six months before the expiration of that period;

**(2)** classify as to type and exempt or partially exempt some or all types of personal property from ad valorem taxes.

**(c)** The provisions of (a) of this section notwithstanding,

**(1)** a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of a city in the borough, including but not limited to, excluding personal property from taxation, establishing exemptions, and extending the redemption period;

**(2)** a home rule or first class city has the same power to grant exemptions or exclude property from borough taxes that it has as to city taxes if



**(A)** the exemptions or exclusions have been adopted as to city taxes; and  
**(B)** the city appropriates to the borough sufficient money to equal revenues lost by the borough because of the exemptions or exclusions, the amount to be determined annually by the assembly;

**(3)** a city in a borough may, by ordinance, adjust its property tax structure in whole or in part to the property tax structure of the borough, including but not limited to exempting or partially exempting property from taxation.

**(d)** Exemptions or exclusions from property tax that have been granted by a home rule municipality in addition to exemptions authorized or required by law, and that are in effect on September 10, 1972, and not later withdrawn, are not affected by this chapter.

**(e)** A municipality may by ordinance classify and exempt or partially exempt from taxation privately owned land, wet land and water areas for which a scenic, conservation, or public recreation use easement is granted to a governmental body. To be eligible for a tax exemption, or partial exemption, the easement must be in perpetuity. The easement is automatically terminated before an eminent domain taking of fee simple title or less than fee simple title to the property, so that the property owner is compensated at a rate that does not reflect the easement grant. The municipality may provide by ordinance that, if the area subject to the easement is sold, leased, or otherwise disposed of for uses incompatible with the easement or if the easement is conveyed to the owner of the property, the owner must pay to the municipality all or a portion of the amount of the tax exempted, with interest.

**(f)** A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to real property if an increase in assessed value is directly attributable to alteration of the natural features of the land, or new maintenance, repair, or renovation of an existing structure, and if the alteration, maintenance, repair, or renovation, when completed, enhances the exterior appearance or aesthetic quality of the land or structure. An exemption may not be allowed under this subsection for the construction of an improvement to a structure if the principal purpose of the improvement is to increase the amount of space for occupancy or nonresidential use in the structure or for the alteration of land as a consequence of construction activity. An exemption provided in this subsection may continue for up to four years from the date the improvement is completed, or from the date of approval for the exemption by the local assessor, whichever is later.

**(g)** A municipality may by ordinance exempt from taxation all or part of the increase in assessed value of improvements to a single-family dwelling if the principal purpose of the improvement is to increase the amount of space for occupancy. An exemption provided in this subsection may continue for up to two years from the date the improvement is completed, or from the date of approval of an application for the exemption by the local assessor, whichever is later.

**(h)** A municipality may by ordinance partially or wholly exempt land from a tax for fire protection service and fire protection facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

**(i)** A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is

**(1)** 65 years of age or older;

**(2)** a disabled veteran, including a person who was disabled in the line of duty while serving in the Alaska Territorial Guard; or

**(3)** at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

**(j)** A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 75 percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration. In this subsection "taxing unit" means a municipality and includes

**(1)** a service area in a unified municipality or borough;

**(2)** the entire area outside cities in a borough; and

**(3)** a differential tax zone in a city.

**(k)** A municipality may by ordinance approved by the voters exempt from taxation pollution control facilities that meet requirements of the United States Environmental Protection Agency or the Department of Environmental Conservation. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

**(l)** A municipality may by ordinance exempt from taxation an interest, other than record ownership, in real property of an individual residing in the property if the property has been developed, improved, or acquired with federal funds for low-income housing and is owned or managed as low-income housing by the Alaska Housing Finance Corporation under AS 18.55.100 - 18.55.960 or by a regional housing authority formed under AS 18.55.996 . However, the corporation may

make payments to the municipality or political subdivision for improvements, services, and facilities furnished by it for the benefit of a housing project, and this subsection does not prohibit a municipality from receiving those payments or any payments in lieu of taxes authorized under federal law.

**(m)** A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for up to five years. The municipality may provide for renewal of the exemption under conditions established in the ordinance. However, under a renewal, a municipality that is a school district may only exempt all or a portion of the amount of taxes that exceeds the amount levied on other property for the school district. A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for up to five years. The municipality may provide for renewal of the deferral under conditions established in the ordinance. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection "economic development property" means real or personal property, including developed property conveyed under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act), that

**(1)** has not previously been taxed as real or personal property by the municipality;  
**(2)** is used in a trade or business in a way that  
**(A)** creates employment in the municipality;  
**(B)** generates sales outside of the municipality of goods or services produced in the municipality; or  
**(C)** materially reduces the importation of goods or services from outside the municipality; and  
**(3)** has not been used in the same trade or business in another municipality for at least six months before the application for deferral or exemption is filed; this paragraph does not apply if the property was used in the same trade or business in an area that has been annexed to the municipality within six months before the application for deferral or exemption is filed; this paragraph does not apply to inventories.

**(n)** A municipality may by ordinance classify as to type inventories intended for export outside the state and partially or totally exempt all or some types of those

inventories from taxation. The ordinance may provide for different levels of exemption for different classifications of inventories. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application, which shall be a public document, for each exemption.

**(o)** A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. However, if the entire ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due, and the deferral ends. Otherwise, deferred tax payments become due as specified by the municipality at the time the deferral is granted. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. An application for a deferral must specify when payment of taxes for each year of deferral will become due, together with an explanation of the reasons for each proposed date for consideration by the municipality. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

- (1)** within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;
- (2)** has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or
- (3)** is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

**(p)** A municipality may by ordinance partially or totally exempt from taxation a private leasehold, contract, or other interest held by or through an applicant or proposed applicant in any property, assets, project, or development project owned by the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in this subsection prohibits a municipality from entering into an agreement and receiving payments in lieu of taxes authorized under AS 44.88.140 (b).

**(q)** A municipality may by ordinance partially or totally exempt from taxation land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located. A municipality may provide that an exemption for land under this subsection applies only to increases in assessed value that result from the timber harvest. A municipality may by ordinance partially or totally exempt from taxation improvements to real property, including personal property affixed to the improvements, if the improvements are

**(1)** located on land from which timber is harvested that is infested by insects or at risk of being infested by insects due to an infestation in the area in which the land is located; and

**(2)** used for or necessary to the harvest of the timber that is infested by insects or in danger of insect infestation.

**(r)** A municipality may by ordinance exempt from taxation an amount not to exceed \$10,000 of the assessed value of real property owned and occupied as a permanent place of abode by a resident who provides in the municipality volunteer (1) fire fighting services and is certified as a fire fighter by the Department of Public Safety, or (2) emergency medical services and is certified under AS 18.08.082 . If two or more individuals are eligible for an exemption for the same property, not more than two exemptions may be granted.



**ALASKA ASSOCIATION OF ASSESSING OFFICERS**



**STANDARD ON COMMUNITY PURPOSE EXEMPTION  
IN ACCORDANCE WITH  
ALASKA STATUTE 29.45.050 (b) (1) (A)**

**Approved: 07-14-06**

**Alaska Association of Assessing Officers**

**The assessment standards set forth herein represent a consensus of thought within the assessment profession in the State of Alaska. The standard has been introduced and deliberated by the Alaska Association of Assessing Officers (AAAO) general membership combined with review and adoption by the Executive Board of the AAAO with the objective of providing a means by which assessing officers can improve and standardize the operations of their respective offices. The standard presented here is advisory in nature and the use of, or compliance with this standard, while recommended by the AAAO, is advisory.**

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## I. SCOPE

This standard provides relevant issues and guidance for administrative analysis regarding the "Community Purpose" property tax exemption as a non-compulsory optional exemption authorized by AS 29.45.050 (b) (1) (A).

This policy endorses the AAAO "Community Purposes Exemption Application". The intent of this standard is to establish uniform guidelines and a framework to assist decision makers in deciding applications for community purpose tax exemptions.

## II. INTRODUCTION

Alaska law provides for both mandatory and optional exemptions. One of the optional exemptions, provided for in AS 29.45.050, is the community purposes exemption. The specific statutory language is as follows:

### **AS 29.45.050 (b) (1) (A).**

(b) a municipality may by ordinance

(1) classify and exempt from taxation

(A) the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter;

## III. ALASKA CASE LAW HISTORY

### **Alaska Superior Court Case**

**Kachemak Heritage Land Trust Vs Kenai Peninsula Borough**

**Case No. 3KN-96-115 CI January 21, 1996<sup>a, b</sup>**

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<sup>a</sup> De minimus nonexclusive uses, which provide collateral benefit to the general public in addition to the specific local community, does not defeat a claim of tax exempt status under the community purposes exemption.

<sup>b</sup> If the property also confers more than a de minimus private benefit to the non-profit organization that owns it or to the individuals that control that organization, then it does not qualify for the tax exemption.



#### **IV. PRIMARY ISSUES**

The Community Purposes Exemption is an exemption that individual municipalities may optionally grant, by ordinance. In order to qualify for the exemption under the statute, this property must be used exclusively for community purposes and be the property of an organization not organized for business or profit-making purposes. Community Purposes Exemption is relatively unique, in that it is not an exemption common to other States and thus, carries negligible case law history or precedent. Its origin comes from the State Legislature's intent to create an exemption opportunity for Municipalities, for non-profit organizations that don't meet the rigid minimal qualification for Charitable Purposes Exemption. In certain cases, a tax immunity may be provided on a local basis for those properties which the local governing body determines is for the overall good of the community and has determined that the community will support the activity with their tax dollars.

It is preferred, that by means of this standard, assessors, property tax administrators and municipal governing bodies, may administer a more dispositive analysis and that the application pose a uniform "standard of review" statewide.

#### **THE FOLLOWING STANDARDS APPLY ONLY TO THE COMMUNITY PURPOSES OPTIONAL PROPERTY TAX EXEMPTION AUTHORIZED BY 29.45.050 (b) (1) (A)**

#### **V. STANDARD 1: COMMUNITY PURPOSES**

Community purpose means:

The exclusive use of property within the municipality based upon the culture and demographics of a particular area and which benefits the general public in a manner that enhances the quality of life through programs, public facilities, or services. A community purpose, however, may primarily benefit only a distinct area within the municipality.

#### **VI. STANDARD 2: EXCLUSIVE USE REQUIREMENT**

The community purposes optional exemption includes a requirement that the property be exclusively used for that purpose. Exclusive use includes a requirement for spatial apportionment if the property is used for both exempt and nonexempt purposes.<sup>c</sup>

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<sup>c</sup> *City of Nome* (exempt use cannot be apportioned by time)

2a. Definition of Exclusive Use:

Exclusive use requires that all uses of the property be for the "direct and primary" exempt purpose. The community purpose, for which the property is exclusively used, is a purpose that benefits the general public in the community in which the property is located.

2b. Smallest Practical Usage:

The smallest practical portion, in which is integrally related to the property for the actual and exclusive use as community purposes, may be eligible for the exemption.

**VII. STANDARD 3: OWNERSHIP REQUIREMENTS**

AS 29.45.050 (b) (1) (A) states in part: "the property of an organization..." (emphasis added). The property of an organization must be in the ownership of the organization seeking the exemption. Application for exemption must be made by the owner of record.

**VIII. STANDARD 4: EXEMPTION DATE**

The date for determination of eligibility for the Community Purpose property tax exemption is January 1, of the assessment year for which the exemption is sought.

**IX. STANDARD 5: PROPERTY MUST BE OPEN TO THE GENERAL PUBLIC**

1. Individuals cannot be restricted from using the property on any basis, including a restriction based on:
  - (a) race, culture, ethnic origin or religious belief,
  - (b) the requirement to become a member of an organization,
  - (c) the requirement to pay fees of any kind, other than minor entrance or service fees, and
2. The requirement to become a member of an organization does not make the use of the property ineligible so long as:
  - (a) Membership in the organization is not restricted on any basis, other than the requirement to fill out an application and pay a minor membership fee, and
  - (b) Membership occurs within a short period of time after any application or minor fee requirement is satisfied.

**X. STANDARD 6: THE OWNERSHIP ORGANIZATION**

1. Must be governed by a volunteer board of directors; and
2. Must be recognized as a legally formed state or federal non-profit entity.
3. The statutory term "not organized for business or profit-making" means:

There must be no evidence of a dominant profit motive. Income derived must not exceed operating expenses. Operating expenses must not include debt service.

**XI. STANDARD 7: SENIOR HOUSING PROVISION**

Many municipalities have determined that affordable senior housing may be a benefit to the community and may, in some case, lessen a burden on the community. Some municipalities have therefore, granted a community purpose exemption to these units.

Fair and equitable application of the existing, mandatory Senior Citizen Exemption compels consideration for commensurate treatment by a municipality of senior housing projects. The following standard is offered as a model for a local ordinance granting an exemption to these projects.

1. AS 29.45.030 provides for a mandatory \$150,000 assessed value exemption for eligible seniors. Eligibility for this program requires that seniors be 65 years of age, own and reside on the property as of January 1 of the assessment year. The property is required to be their permanent place of abode.
2. It is recommended that when a Community Purposes Exemption is considered for these senior housing projects, consideration be given to criteria that is consistent with the (AS .29.45.030) senior citizen exemption eligibility requirements.

**XII. STANDARD 8: THE APPLICATION**

The application for exemption shall be submitted to the assessor by a date established by the governing body. It is recommended that the following information be submitted:

1. Declaration of Exemption sought.
2. Current copy of Articles of Incorporation.
3. Latest copy of the Constitution and By-Laws.
4. Copy of federal tax exempt status (current IRS 501 (c) (3) or (c) (4) or Forms 990 & 990 T
5. A detailed statement describing the current use of the property.

**A.A.A.O. STANDARD**  
**Community Purpose**  
**Property Tax Exemption**

6. A current copy of income and expenses.
7. Current schedule of fees, dues and or charges.

The assessor may, from time to time require such information as is reasonably necessary to determine the character of the organization and the nature of uses made.

It is the advice of this policy document, that municipalities shall, through their governing body, administer the hearing for review, analysis, provide findings of fact and determination of a "Community Purposes Exemption" request. That subsequent to advice and counsel by the assessor, legal counsel and or designated property tax administrator, the governing body may enact and confer the exemption upon an eligible request, by ordinance.



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## MEMORANDUM

**TO:** Theresa Hillhouse, Municipal Attorney

**FROM:** Michael Gatti, Esq. 

**DATE:** October 28, 2011

**SUBJECT:** Property Tax Questions  
Our File No. 5640.0100

The City and Borough of Sitka ("CBS") has sought legal advice on the scope of the Board of Equalizations ("BOE") jurisdiction to hear real property tax appeals and the criteria for the review of certain property tax exemptions, namely the mandatory charitable and educational property tax exemptions, and the optional community purpose property tax exemption. Our analysis is set forth below. A summary is contained in the final section.

### I. BOARD OF EQUALIZATION.

AS 29.45 et seq. establishes a comprehensive statutory scheme for the assessment, valuation and appeal of real property assessments which must be followed because of the limitation contained in AS 29.10.200(50). This statute prohibits even home rule municipalities from acting otherwise than as provided in AS 29.45.010 - 29.45.560 and 29.45.800 (Property Taxes). An ordinance inconsistent with the required Title 29, statutes must be disregarded.

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Several provisions of Title 29 provide guidance on the scope of the BOE's jurisdiction. AS 29.45.190(a) establishes that a person whose name appears on the assessment role or the agent or the assigns of that person may appeal to the BOE for relief from an alleged error in "valuation" not adjusted by the assessor as requested.

The statute contains several additional sections which outline the process for an appellant to follow when filing an appeal. It states in subsection (d) that the assessor shall prepare for use by the BOE a summary of assessment data relating to each assessment that is appealed. The language of AS 29.45.190, establishes the BOE's jurisdiction applies solely to valuation not adjusted by the assessor to the taxpayer's satisfaction, including the assessment data relating to the valuation. Fairbanks North Star Borough v. Dena 'Nena 'Henash, 88 P.3d 124 (Alaska 2004). There is no mention of exemptions in AS 29.45.190. Based on this language, the most reasonable interpretation of AS 29.45.190 is that it only authorizes a BOE to hear challenges to property valuation appeals. It does not authorize exemption appeals.<sup>1</sup>

This conclusion is further supported by AS 29.45.200 which establishes the BOE and directs that "notwithstanding other provisions in this section, a determination of the assessor as to whether property is taxable under law may be appealed directly to the Superior Court." AS 29.45.200(c). This language supports the jurisdictional requisites of AS 29.45.190 by clearly establishing that the question of whether property

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<sup>1</sup> Limited exceptions to the general rule are discussed later in this memorandum.

is taxable (or exempt) is not within the jurisdiction of the BOE. Exemption challenges must be filed as a direct administrative appeal to the superior court.

The legislative grant of limited BOE jurisdiction is further supported by AS 29.45.210(b) which establishes the Appellant bears the burden of proof. It also establishes the only grounds for adjustment of assessment are proof of unequal, excessive or improper or undervaluation based on facts that are stated in a valid written appeal or proven at the appeal hearing. If a valuation is found to be too low, the BOE may raise the assessment, AS 29.45.210(b).

The BOE's grounds for adjustment of the assessment, if it is found to be unequal, excessive, and improper or under valuation, are all terms relating to valuation of the assessment and not whether property is taxable or exempt. Taxability questions are left for the assessor's expertise to determine based upon a properly filed application for one of the mandatory exemptions contained in AS 29.45.030, including property used exclusively for nonprofit religious, charitable, cemetery, hospital or educational purposes.<sup>2</sup> This approach also has the effect of removing mandatory exemption questions from the political process that may result in property tax exemption matters being granted improperly or inconsistently, a problem which could lead to constitutional problems such as a failure of due process or equal protection.

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<sup>2</sup> The legislature added nonprofit hospital purposes to AS 29.45.030.



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In contrast, AS 29.45.040 establishes optional exemptions and exclusions and authorizes a municipality, by ordinance, to classify and exempt from taxation various uses of property. This includes the property of an organization not organized for business or profit making purposes and used exclusively for community purpose, if the income derived from rental of that property does not exceed the actual cost to the owner or use by the renter. In the case of optional exemptions, since the legislature has seen fit to authorize a municipality to adopt an ordinance to classify and exempt from taxation such property, this process inherently requires the assembly to approve a community purpose exemption since the statute requires such exemptions to be granted by ordinance. As you know only the assembly, as the governing body of a municipality, may adopt an ordinance. Alaska Const. art. X, § 4; AS 29.71.800(2)(10).<sup>3</sup>

A limited exception to the forgoing mandatory tax exemption analysis is found in Alaska regulations at Chapter 135 entitled "Senior Citizen and Disabled Veterans Property Tax Exemption", and in particular at 3 AAC 135.110, pertaining to the mandatory tax exemption at AS 29.45.030(e)<sup>4</sup> which provides:

- (a) An applicant aggrieved by any determination of the local assessor, except a decision as to the purpose of a transfer, may appeal under AS 29.53.130 - AS 29.53.135 to his local board of equalization.<sup>5</sup>

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<sup>3</sup> CBS has adopted various ordinances pertaining to the BOE Appeal process. See SGC 4.12 et seq. These must be consistent with AS 29.45 et seq., as required by AS 29.10.200 (50).

<sup>4</sup> AS 29.45.030(e) requires the first \$150,000 of the assessed value of the primary residential real property of seniors 65 years old or a disabled veteran to be exempt from taxation.

<sup>5</sup> The current citation is AS 29.45.190 et seq.

- (b) The determination of the board of equalization is appealable under AS 44.62.560 - AS 44.62.570.

One possible explanation for the forgoing regulation is that at the time of its adoption in 1973, the political contingencies associated with senior citizens and disabled veterans resulted in an agency view that appeals of these senior citizen and disabled veterans property tax exemptions should be filed with the Board of Equalization.

Likewise, cases involving BOE appeals have in the past, it is submitted, improperly dealt with exemptions, or the issue was never raised by the parties whether the BOE should have addressed an exemption. Sometimes an exemption issue is raised as part of an alternative agreement to the taxable value, such as whether the property is taxable. See Greater Anchorage Area Borough v. Sisters of Charity, 553 P.2d 467 (Alaska, 1976); City of Nome v. Catholic Bishop of No. Alaska, 707 P.2d 870 (Alaska 1985); but see Matanuska-Susitna Borough v. King's Lake Camp, 439 P.2d 441 (Alaska 1968), where the court refused to address an exemption argument based upon the appellant's bypass of the BOE. These Alaska Supreme Court cases are rather dated, and are inconsistent with the property tax appeal process during recent years. The current State Assessor has for years maintained that the local Assessor and not BOE should be addressing at least the mandatory property tax exemptions.<sup>6</sup>

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<sup>6</sup> State Assessor Steve Van Sant was contacted regarding this issue, and confirms it has been his position for years. It is my understanding he also met with the Sitka Assembly in a recent BOE training

In summary, a more contemporary analysis of the statutes in question and case law results in the objective conclusion that appeals of mandatory property tax exemptions, with the exception of limited regulatory issues concerning senior citizens and disabled veterans residential property taxes, must be filed directly with the superior court. In contrast a community purpose exemption, which is a non-mandatory property tax exemption, must be granted by ordinance which only the governing body may adopt. Appeals from this type of non-mandatory property tax exemption may be reviewed by an Assembly rather than handled only by the Assessor, and then appealed to Superior Court.

In the following section, I will address the mandatory charitable purpose and education purpose property tax exemptions, and the optional community purpose property tax exemption.

## II. MANDATORY PROPERTY TAX EXEMPTIONS

### A. Charitable Purposes Exemption

Article IX, § 4 of the Alaska Constitution authorizes tax exemptions if all, or any portion of property is used exclusively for nonprofit religious, charitable, cemetery or educational purposes. . . . Article IX, § 4 is complimented by AS 29.45.030 and SGC 4.12.025 authorizing similar exemptions.

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session and advised its attending members as to this point, and requested amendments to SGC to strike any reference to the "Board of Equalization" handling community purpose exemptions, and substitute instead that the "Assembly" would handle those types of permissive property tax appeals.

Throughout the years the Alaska Supreme Court has issued opinions analyzing the charitable purpose exemption. The first opinion issued was in 1968, and involved a camp used by children organizations.

In Matanuska-Susitna Borough v. King's Lake Camp, 439 P2d 441, (Alaska, 1968) the Matanuska-Susitna Borough (MSB) denied the camps charitable use exemption request arguing that it derived rentals or profits from its property. Therefore, the property was not exempt based upon the requirements of the borough ordinance. The camp disagreed and presented facts that while it has winter camping, the main season of the camp is timed to correspond with school vacation. It argued that the children and other campers who use the property are members of user groups which are organizations such as the Alaska Crippled Children, American Baptist Church, Campfire Girls, YMCA, and 4-H Clubs. The user groups pay \$3.25 a day for each child using the facilities. If the child was not able to pay, the user group made payment for the child. The camp also assessed each user group organization \$250 annually. In addition, there were memberships of \$2 in annual dues. The court found that the evidence did not defray the operational expenses of the camp. In reviewing the fees charged by the camp, the court found as follows:

Appellant has raised a question of first impression concerning the construction of subsection (c) of AS 29.10.336 and its relation to subsection (a) of the same enactment. We believe that appellant's interpretation of subsection (c) of AS 29.10.336 is too restrictive. There are numerous precedents from other jurisdictions holding that a benevolent or charitable undertaking is not shorn of tax-exempt status

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because it charges fess and thereby realizes rent or income from its property.

King's Lake Camp, 439 P.2d at 443.

The court next rejected the idea that rent for dormitory rooms would somehow eliminate the charitable purpose of the organization. However, it found there was not any real profit motive involved in the rental of the rooms since they were simply designed to defray operating expenses. The court found:

Therefore, income derived by plaintiff here from dormitories maintained for its members in the normal pursuit of its exempt purposes, that is to say, from a facility which is incidental to and reasonably necessary for the accomplishment of its exempt purposes, is to be distinguished from income derived from a facility which is not so correlated with exempt purposes.

Id. at 444. The court continued its analysis of the camp profit motive and concluded:

We find this decision persuasive and believe its rationale points to a reasonable interpretation of the limiting provision of AS 29.10.336(c). In short, property which is used exclusively for nonprofit charitable purposes does not thereby become disqualified for a charitable tax exemption solely because rents or income are not derived therefrom. If it appears that the rentals or income are not derived as a result of a dominant profit motive on the charity's part, but are incidental to and reasonably necessary for the accomplishment of its charitable purposes, then such rentals or income are not within the ambit as AS 29.10.336(c)'s limitation upon properties which qualify for a charitable exemption.

Id.

In Greater Anchorage Area Borough v. Sisters of Charity, of the House of Providence, 553 P.2d 467 (Alaska 1976), the court was called upon to determine whether a nonprofit charitable and religious corporation was eligible for a tax exemption

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on a building or a portion of the building that was not being used exclusively for nonprofit hospital purposes. Initially the court reviewed the facts and found that the professional building had four floors including a basement and a tunnel. Several of the floors were rented to doctors having hospital staff privileges at Providence Hospital for use as private office space. Rentals were on a square foot basis and the lease agreement provided that the Sisters would pay real property taxes which became payable on the lease areas.

In beginning its analysis, the court reiterated the basic principal that a taxpayer claiming a tax exemption has the burden of showing that the property is eligible for the exemption and that courts must narrowly construe statutes granting such exemptions.

A taxpayer claiming a tax exemption has the burden of showing that the property is eligible for the exemption. Furthermore, the courts must narrowly (SIC) construe statutes granting such exemptions. Id. at 469

The court also found:

All properties benefited by the securities and protection furnished by the State, and it is only just and equitable that expenses incurred in the operation and maintenance of government should be fairly apportioned upon the property involved. . . .

While reasonable exemptions based upon various grounds of public policy are permissible, yet taxation is the general rule. . . . It is for this reason that statutes granting exemptions from taxation are strictly construed. A Taxpayer is not entitled to an exemption unless he shows that he comes within either the express words or the necessary implication of some statute conferring this privilege upon him. Id. at 469

The court found that the actual use of the property rather than the owner's use would be determinative of whether or not it was exempt.<sup>7</sup> In concluding that the actual use of the property included the doctors' use of the building for their own private professional practices, the court held the property was not used exclusively for nonprofit hospital purposes and therefore was not entitled to an exemption. Id., at 470, 472.

In Sister's of Providence in Washington, Inc. v. Municipality of Anchorage, 672 P.2d 446 (Alaska 1983), a similar issue was raised with respect to personal property tax being levied on equipment leased to the hospital on which the hospital was contractually obligated to pay all taxes. The court found that the lessor's leasing of hospital equipment for profit constituted use of property which was not for nonprofit hospital purposes and therefore no tax exemption was in order. The court found that such commercial use of the property by the owner was, in fact, a use that rendered the hospital lessee's use of the property non-exclusive and the exemption inapplicable, citing Sisters of Charity, 553 P.2d at 472.

To say that an investor who own valuable property, real or personal, and leases it for profit is not using his property ignores the obvious fact that the owner-lessor is exercising his right to use the property just as surely as if he were utilizing it in a physical sense for his own objectives. . . . The renting of the lessor and the physical use by the lessee constitute simultaneous uses of the property and when an owner leases his property to another, the lessee cannot be said to be the only one using the

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<sup>7</sup> The doctor's office building at issue there provided all the benefits the Professional Building does, and in addition served to improve the educational function of the hospital. The New York exemption statute relied upon by the Sisters of Charity court requires exclusive use, like the Alaska statute: the court held that the use by the doctors was not exclusively for the hospital purposes. Sisters of Charity, 553 P.2d at 472.

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property. The owner is using it as he sees fit to reap a profit from investment just as surely as if he physically operated the property.

Sister's of Providence in Washington, Inc., 672 P.2d at 451. The Court further held, 672 P.2d at 452:

Property used by the lessee for nonprofit hospital purposes which is also used by the lessor to generate profit is not within the express language of the exemption statute. If there are policies to be implemented by granting an exemption under these circumstances, then it must be done by the legislature.

City of Nome v. Catholic Bishop of Northern Alaska, The American Lutheran Church v. Nome, 707 P.2d 870 (Alaska, 1985) was a similar case defining the scope of exclusive use requirements for tax exempt purposes. The court was called upon to determine a number of issues associated with a request for tax exempt status involving religious residences, sanctuaries, religious administrative offices and religious education programs operated by the church owner, and church property leased to other nonprofit organizations.

The court enunciated important principals to assist in evaluating tax exemption applications. It held:

The appeal concerns tax exemptions under AS 29.53.020. The churches sought to exempt religious residences, administrative offices, sanctuaries, and property used for both religious educational and charitable purposes. They also sought to exempt properties used as support for exempt properties, and church property leased to other nonprofit organizations. For each exemption we interpret AS 29.53.020 to require both spatial apportionment and exclusive use for a religious, charitable or educational purpose. We recognize two narrow exceptions to the "exclusive use" requirement. First, a *de minimus* use will not defeat the exemption.



Second, property may be exempt if its use is both directly incidental to and vitally necessary for the use is both directly incidental to and vitally necessary for the use of exempt property. We also acknowledge that some church property leased to other nonprofit organizations may be exempt. Finally, we recognize that support property may be exempt if it is necessary to the convenient use of exempt property. In this opinion, we apply these rules to the numerous properties at issue, and summarize our rulings in chart form for the City on remand.

Catholic Bishop of No. Alaska, 707 P.2d at 874.<sup>8</sup>

The court further noted that property must be used for the direct and primary exempt purpose and that a charitable organization raising money for the group's charitable activities is not exempt since the properties direct and primary use is fund raising and not the charity itself. The court also noted that property occasionally used for non-exempt purposes is not exempt since the property must be used exclusively for exempt purposes.

The court also held that a combination of the exempt purposes may meet the exclusive use requirement.

Property need not be devoted exclusively to a single exempt purpose to meet the "exclusive use" requirement. If the property is used exclusively for any combination of religious, charitable or educational purposes, AS 29.53.020(a)(3) is satisfied. See Ladies Literary Club v. City of Grand Rapids, 409 Mich. 748.298 N.W.2d 422 (1980); Young Women's Christians Association v. Baumann, 130 S.W.2d 499, 502 (Mo.1939)

Catholic Bishop of No. Alaska, 707 P.2d at 880.

The court also found that spatial apportionment is required in determining exclusive use of potentially tax exempt property. It found:

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<sup>8</sup> The current citation is AS 29.45.030 instead of AS 29.53.020.

The "exclusive use" requirement means that property cannot be apportioned by time into exempt and nonexempt uses. The City believes that, except for religious residences, property cannot be apportioned by *space* into exempt and nonexempt portions. It bases its argument on the statute's use of the specific words "structure" and "lots" to describe exempt property. The superior court held that spatial apportionment is proper and we agree.

Catholic Bishop of No. Alaska, 707 P.2d at 881.

In analyzing the question of spatial apportionment, the court reviewed the provisions of Article IX, § 4 of the Constitution that used language stating that all or any portion of property used exclusively for nonprofit, religious, charitable, cemetery or educational purposes, as defined by law shall be exempt from taxation.

The court next looked to the minutes of the Constitutional Convention which provided:

. . . Minutes from the Constitutional Convention shed the determinative light on this provision:

[T]he intent of the Committee [on Finance and Taxation] here is to allow for tax exemptions on property used for religious, charitable, cemetery, or educational purposes, to be exempt from taxation, but to provide for taxation of income-producing property, and furthermore, to allow for proration of such income-producing property. For example, if a religious organization should own an office building, a part of which is rented out, a part of which is used for its own purposes, the intent here is to allow the taxation of the income-producing part of that office building and exemption on the non-income producing part.

Proceedings of the Alaska Constitutional Convention 1112 (December 19, 1955). We conclude that the "[a]ll, or any portion of, property" language of art. IX, § 4 mandates the spatial apportionment of all property into exempt and nonexempt portions. Because we must construe a statute as constitutional when reasonable to do so, we hold that AS 29.53.020

mandates spatial apportionment of applicable "property," "residences," "structures," and "lots." . . . . (emphasis added).

Catholic Bishop of No. Alaska, 707 P.2d at 881.

B. Educational Purposes Exemption.

Alaska Constitutional Article IX, § 4 authorizes a tax exemption for property used exclusively for educational purposes. Alaska jurisprudence on the subject of educational tax exemption is somewhat limited; however, there is a 1971 case that discusses the concept.

In McKee v. Evans, 490 P.2d 1226 (Alaska, 1971), the court was presented with the question of whether the Apprenticeship and Manpower Training Trust Fund was entitled to an exemption from real property taxation by then the Greater Anchorage Area Borough, on the ground that its property was used exclusively for nonprofit educational purposes within the meaning of the tax exemption statute. The court analyzed the facts associated with the request for the educational exemption and found that there were three buildings involved in the application: a school building; storage building; and a welding shop. The property was owned by the Apprentice and Manpower Training Trust Fund, a management trust set up in 1957 by the collective bargaining agreement between the National Electrical Contractors Association ("NECA") and Local Union No. 1547 of the International Brotherhood of Electrical Workers ("IBEW"). The Trust Fund property was handled by the joint apprenticeship training school committee which had ten members with equal representation from the IBEW and NECA. The committee

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employed a Director/Instructor, an Assistant and a Secretary on a full-time basis. The training program consisted of five and half months of formal training at the school, three years of apprenticeship or on the job training and a brief refresher course at the school. The formal training consisted of lectures and demonstrations on theory and practice of electrical work somewhat similar to that of state supported high schools and colleges.

At the conclusion of the program an electrician exam was given, and the successful apprentice would receive a certificate as a Journeyman Electrician from the United States Department of Labor. To enroll in the program one must have a high school degree, successful completion of a mathematics exam and pay a ten dollar fee which is refunded on completion of 75% of the training. There are approximately 25 to 40 students taking advantage of the program over the last several years, and the students are recruited from all over the state to participate. Other than the \$10 fee, there was no charge for any of the formal training. However, the student must purchase their own textbooks which costs at that time about \$50 and arrange for their own lodging. The Trust Fund is nonprofit and it is used for the operation of the school. The facilities are also used for training and refresher courses for journeymen electricians and have been utilized by the Alaska Electrified Village Group of the Bureau of Indian Affairs to train Alaska Natives. The facilities have not been used for any other purpose.

The court reviewed the principals underlying the educational purposes exemption and drew upon a Supreme Court of Tennessee case that was somewhat similar. In

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Nashville Labor Temple v. City of Nashville, 146 Tenn. 429, 243 S.W. 78 (1922), the court determined "stressing the public benefit derived from the classes" was an important principal of exemption analysis.

To teach men in these art or crafts is as essential and beneficial to the public as to teach one astronomy, civil engineering, medicine, pharmacy, or other useful professions. All of such arts or crafts, in which instructions are given by complainant corporation, are highly essential to the commercial and business interests of the country, and to the public welfare. Instructions which will make a better machinist, boiler maker, steam pipe fitter, plumber, or carpenter confers a benefit upon the public, and a consequent relief, to some extent, of the burden upon the state to care for and advance the interests of its citizens.

In McKee, 490 P.2d at 1229 the Alaska court noted that the type of school that generated the greatest amount of litigation in this area was the business school or college, which is analyzed based upon the public benefit analysis in determining whether an institution is entitled to an exemption. The court evaluated Wilson Modern Business College v. King County for Washington, 4 Wash.2d 636, 104 P.2d 580,(1940), which explicitly rejected a generalized/specialized school distinction and held that:

The plain import of the exemption statute is that the terms "school or college \* \* \*" should be given their ordinary meaning. The fundamental object of the statute is to exempt from taxation property used for school purposes and it would be a narrow construction to hold that business colleges like the respondent are not within the purview of the statute.

The court in McKee, 490 P.2d at 1229 noted that other courts reviewing educational exemption provisions require that the program of instruction given generally parallel that offered in public supported educational institutions. The rationale for this

limitation is only such school properties that relieved some substantial educational burden from the states should receive rights of tax exemption.

The McKee court rejected this quid pro reasoning finding that it had superficial appeal, but upon analysis, it was not supported by the statute in effect at the time. The court found that AS 29.10.336 in no way limited the term "educational purposes," and there was no justification for the court to give that term anything other than its ordinary meaning.

Nor do we find the quid pro quo policy logically compelling. Even if the education given at a private school (e. g., a trade school) were not substantially similar to the provided in publicly supported schools, some lessening of the state educational tax burden probably occurs from election by students to forego general public education in favor of more specialized training. National College of B. v. Pennington County, 82 S.D. 391, 146 N.W.2d 731, 735 (1966). Moreover, where no such tax relief occurs, the public benefit may be most profound since without the private school there would be no such specialized training. McKee, 490 P.2d at 1230.

The court also noted that the phrase educational purposes will not be an easy application or inclusive in all contexts, and that further refinement of the term should be left to the legislature. However, the court held the phrase educational purposes as used in Article IX, § 4 of the Alaska Constitution and then AS 29.10.336(a) includes systematic instructions in any and all branches of learning from which a substantial public benefit is derived.

Under our statute once it is determined that the institution involved is nonprofit in character and the property is exclusively used for educational purposes, the exemption attaches. The legislature has directed that the exemption be available to all such properties; it did not see fit to add limitation or qualification. Because

the Trust Fund is an institution following within the broad terms of the constitution and the statute, there is no occasion for employing the canon of strict construction. Id. at. 1231

In conclusion the court found:

Turning to the apprenticeship training program, it is clear that the property at issue qualifies for exemption. It would be difficult to characterize the training given as anything but formal and educational. Moreover, not only is the Trust Fund itself nonprofit, but the students of the school pay no tuition. Nor are students chosen from any special groups in Alaska. Nevertheless, appellant denies the accrual of public benefit, arguing that "[t]he primary function of [a]ppellee is to supervise the operation of an apprentice training program for the benefit of the electrical industry and the Union." We deem the arguable lack of eleemosynary motives on the part of the school's sponsors inconsequential. The purpose of the exemption statute is to encourage the establishment of privately supported nonprofit educational institutions; the motivation for their establishment is largely irrelevant. Here, the general public is clearly benefited both by the increased opportunity for Alaskans to obtain vocational training not otherwise available, and by the increased quality of service from a skilled trade. Id. at. 1231

### III. NON-MANDATORY COMMUNITY PURPOSE EXEMPTION.

AS 29.45.050(b)(1)(A) authorizes the optional community purpose exemption.

It provides:

A municipality may by ordinance classify and exempt from taxation the property of an organization not organized for business or profit-making purposes and used exclusively for community purposes if the income derived from rental of the property does not exceed the actual cost to the owner of the use by the renter

Sitka General Code ("SGC") 4.12.025E sets out the requirements for approval of a community purpose tax exemption. It provides:

All or a portion of the property of an organization not organized for business or profit making purposes and used exclusively for community

purposes, may be exempted if income derived from rental of that property does not exceed the actual cost to the owner of the use by the renter.

This ordinance requires approval of the community purpose tax exemption by the BOE,<sup>9</sup> requiring that the applicant may not be a business or profit making organization, and the property must be used exclusively for community purpose.<sup>10</sup> This means that the benefits provided to the community by the organization are to be considered, as well as the amount of property to be removed from the tax role. Finally, the property may remain exempt if income from the rental of the property does not exceed the actual cost to the owner of the use by the renter.

The ordinance also contains three factors that must be met in order for an organization to be considered a community service organization:

1. It must benefit a significant portion of the public;
2. Not profit persons other than employees; and
3. Qualify for a tax exemption under 26 USC 501.

Each one of the three factors must be met in order to receive a community purpose exemption due to the use of the word "and" in its text.<sup>11</sup>

Research has not discovered any Alaska Supreme Court cases addressing community purpose exemption issues. The only judicial analysis of the community

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<sup>9</sup> This ordinance should be amended to state Assembly rather than BOE to be consistent with the analysis in the prior section.

<sup>10</sup> This ordinance also addresses an outdated inapplicable deteriorated property tax exemption.

<sup>11</sup> Another noteworthy comment about SGC 4.12.025E.3. is that no particular subsection of 26 USC 501 is referenced. Presumably, any 26 USC 501 organization is eligible for a community purpose exemption.



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purpose exemption is found is a 1993 Superior Court case. The case also analyzes the charitable exemption.

In Kachemak Heritage Land Trust v. Kenai Peninsula Borough, Case No. 3KN-96-1115 CI, the court addressed the community purpose exemption vis à vis the Trust's use of the subject property. The court then reviewed the parameters of a community purpose exemption for a land trust formed exclusively for land acquisition and cultural heritage purposes. The court reviewed the articles of incorporation of the trust and found that it was formed to "promote for the benefit of the general public the preservation of significant natural lands and resources principally in but not limited to, the Kenai Peninsula Region." The trust was also qualified under the IRS code to accept tax deductible interests in land and to hold conservation easements pursuant to AS 34.17.060(2)(B).<sup>12</sup>

However, the court noted that statutes granting tax exemptions must be narrowly construed and that the taxpayer claiming the exemption has the burden of showing that the property is eligible for the exemption. The Court concluded that the land trust may be eligible for a community purpose exemption based upon AS 29.45.050(b)(1)(a), the state charitable purposes exemption, and the Kenai Peninsula Borough community purpose exemption.

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<sup>12</sup> Article IX, § 4 of the Alaska Constitution provides in part: all, or any portion of, property, used exclusively for nonprofit religious, charitable, cemetery, or educational purposes, as defined by law, shall be exempt from taxation.

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The Borough, through its Clerk, had denied the Trust's exemption application which was appealed to the Borough Assessor. The Assessor denied the charitable purposes exemption request because of the vast amounts of undeveloped land in Kenai, arguing there was no benefit conferred on the mental and physical welfare of the general public. The Assessor had also rejected the community purposes exemption because the preservation of land in its natural state was intended to benefit more than the immediate community. The Assessor reasoned that the community does not need the parcel in its natural state at this time, so no community purpose is served, nor would policy reasons for the tax exemption be served by granting the land trust's application.

The court first tackled the Trust's charitable purposes exemption. After a thorough analysis of the cases existing at the time, the court concluded that the Assessor had erred. It found that the Trust was formed for the sole purpose of preserving natural land and resources as a benefit for the general public and that the purpose in purchasing the tract was the protection of habitat and as natural space for public recreation and education. Relying on Sisters of Charity, 553 P.2d at 470, the court found that land protection efforts confer significant economic and social benefits on the surrounding community, that combined with the lack of any profit motive, resulted in the court's conclusion that the land trust was entitled to a property tax exemption for the parcel under the state charitable purposes exemption.

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In reviewing the Trust's request for a community purpose exemption, the court noted that the organization was not organized for profit making purposes, and that it fell within the scope of the borough ordinances. The main focus of this dispute was based upon the phrase, "use exclusively for community purposes." The Assessor argued that the community purpose exemption must serve only a local community interest while the Trust argued that the community purpose exemption requirements are satisfied if the property serves a general public interest. The court found that both the borough ordinance and state statute related to community purposes were meant to apply the community purpose exemption to properties that provide a specific benefit to the community. It rejected the idea that a community purpose must serve only a local community interest or need without incidentally providing some larger public benefit as well. The court noted that there may be hikers, photographers, tourist, hunters, biologists and others from outside the immediate community that would visit the land and benefit from it in some matter. The court rejected the narrow view of the Assessor finding that such a view would result in community purpose exemptions never being granted. The court concluded that property is used exclusively for community purposes if it is intended to benefit the borough community. The court found that if a property benefiting a local community also provides a collateral benefit to the general public it is of no consequence to the determination whether a community purpose exemption should be granted. The court further noted that there may be a de minimus private

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benefit to the nonprofit organization that owns the property or to the individuals that control the organization. The court also found that there was ample evidence showing that communities derive a number of benefits from the proactive preservation of land in its natural state. Basing its conclusion on the study about the economic impacts of protecting rivers, trails and greenway corridors, the court found that designating public access green areas often results in increased real property values, increased tourism, more leisure and educational opportunities, increased appeal to businesses looking to relocate and opportunities for collateral commercial development in the form of concessions, guiding services, etc. The court found that the study demonstrated that communities derive long term economic and social benefits simply from the grant that nearby parcels of public access land will never be developed. Hence, the land trust was entitled to a community purpose exemption under state and local law.

#### IV. SUMMARY.

It is our opinion that the BOE, with limited exceptions, does not have subject matter jurisdiction over property tax exemption matters. There are two Alaska regulations that authorize appeals directly to the BOE related to limited issues concerning the senior citizens and disabled veteran exemptions only.

While mandatory property tax exemptions should be handled by the Assessor, and appealed to Superior Court, optional exemptions may be appealed to the municipal

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assembly or council, such as provided by SGC 4.12 et seq. and AS 29.45.190, based on an approved ordinance.

There are a number of complex principals associated with property tax exemption analysis which must be carefully evaluated before determining whether or not an organization is entitled to a tax exemption, either a mandatory or optional exemption. In keeping with these principals, it is important to develop the factual record outlining exactly what activities or use the organization will be engaged in prior to granting a mandatory charitable education, or religious exemption, or an optional tax exemption, such as for community purpose.

Throughout the years the Alaska Supreme Court has evaluated tax exemption requests and has identified some key principals, including:

- Exemptions are to be narrowly construed, with the taxpayer having the burden of proof.
- Exclusive use is the general rule as *De minimus* or minor incidental use will not defeat the tax exemption.
- More than one type of exemption may apply, particularly if there are different types of uses of the property during the year, as long as the other type of use falls within an exemption. For example, at some times of the year, property may be used for charitable or educational purposes, and therefore may not be taxed because of these exemptions.

- Spatial apportionment of applicable property, residences, structures and lots is also mandated under the statute authorizing tax exemption for property used for a nonprofit religious, charitable, cemetery, hospital or educational purpose. Thus, some portions of the property may be taxable while others are exempt.
- Receipt of some monies for use of the property claimed to be exempt to defray operating costs does not necessarily bar the right to an exemption.
- Concerning educational purpose exemption, these are generally for schools, universities, etc., but may also be for vocational programs and those with educational curriculum, certified teachers, State Department of Education certification, etc.,
- Concerning the optional community purpose exemption, there are no Supreme Court cases addressing that exemption. However, the Katchamak case, while only a Superior Court case and therefore not precedent setting, provides a thorough analysis of the approach to be taken with respect to this exemption. It concludes that general benefit to the community, without a dominant profit motive, may be sufficient to grant a community purpose exemption based upon AS 29 45.050(b)(1)(a) and applicable local law.

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## MEMORANDUM

**TO:** Theresa Hillhouse, Municipal Attorney

**FROM:** Michael Gatti, Esq.

**DATE:** November 28, 2011

**SUBJECT:** Supplement to Our Memorandum of October 27, 2011 re: Property Tax Questions; Our File No.: 5640.0100

This memorandum supplements our memorandum of October 27, 2011 explaining the treatment of tax exemptions in Alaska pursuant to Title 29 and relevant case law. This supplemental memorandum is issued based upon the recent Supreme Court case of *Dena Nena Henash d/b/a Tanana Chiefs Conference v. Fairbanks North Star Borough*, Opinion No. 6618/November 10, 2011 (hereinafter "TCC"), decided subsequent to the issuance of the original memorandum referenced above.

TCC interprets AS 29.45.030(a)(3)(C) pertaining to nonprofit religious, charitable, cemetery, hospital or educational purposes. The Court found:

As a general matter, property must meet the exclusive use requirement of AS 29.45.030(a) to qualify for tax exemption – that is, it must be "used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes." In the special case of income-deriving properties, these remain exempt if (1) the entities using a specific property are all nonprofit religious, charitable, hospital, or educational groups (with educational groups using the property exclusively for classroom space); and (2) the property meets the exclusive use requirement of AS 29.45.030(a), being used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes. There are no statutory restrictions on the amount of income such properties may earn. (Footnote omitted)

*Dena Nena Henash d/b/a Tanana Chiefs Conference v. Fairbanks North Star Borough*, Opinion No. 6618/November 10, 2011, p. 6618.

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The Court's holding pertaining to income producing properties that are otherwise subject to one of the exemptions noted in AS 29.45.030(a) indicates that income derived from such properties does not change the exempt status. However, the question of what the amount of income may be is left undetermined, particularly since the Court included a general phrase in its opinion that "there are no statutory restrictions on the amount of income such properties may earn". *Id.* At 6618.

The Alaska Association of Assessing Officers (hereinafter "AAAO") to assist assessors when evaluating exemptions has developed statewide standards. One proposed standard includes a definition of "charitable" (**Exhibit A**). The Alaska Municipal League ("AML") has adopted Resolution 2012-12 in support of the assessor's definition of charitable (**Exhibit B**).

The AAAO also has a standard pertaining to community purpose exemptions (**Exhibit C**).

Please contact me if you have any questions.

MG:dkd



# Charitable Purposes Exemption

## AAAO Legislative Language Recommendation

- A. Charitable purpose is defined as those activities which relieve the government of its burden through benevolent acts which meet the following criteria;
1. The property use must serve a public benefit and service the public-at-large.
  2. The service must be available to the public regardless of the user's ability to pay.
  3. Greater than fifty percent of the funding for the exempt use must come from sources other than government benefits or funding.
  4. There must not be a dominant profit motive for the exempt use. Income derived must not exceed operating expenses; operating expenses do not include debt service.

**ALASKA MUNICIPAL LEAGUE**

**RESOLUTION #2012-12**

**A RESOLUTION SUPPORTING A STATUTORY AMENDMENT TO AS 29.45.030 TO PROVIDE A DEFINITION FOR CHARITABLE PURPOSES REGARDING PROPERTY TAX EXEMPTIONS**

**WHEREAS**, the Alaska Municipal League Revenue and Finance Legislative Subcommittee has recommended amending Alaska statute to provide a definition for charitable purposes; and

**WHEREAS**, the Legislature has not previously defined "charitable purposes" for property tax exemptions; and

**WHEREAS**, the Alaska Supreme Court defined this term and adopted a very broad definition; and

**WHEREAS**, municipalities desire a narrower property tax exemption definition that deals with charitable property tax exemptions.

**NOW, THEREFORE BE IT RESOLVED** that the Alaska Municipal League urges the State of Alaska to amend AS 29.45.030(i) by adding the following definition:

Charitable purpose is defined as those activities which relieve the government of its burden through benevolent acts which meet the following criteria:

1. Property use must serve a public benefit and serve the public-at-large;
2. Service must be available to the public, regardless of user's ability to pay;
3. Greater than 50% of the funding for the exempt use must come from sources other than government benefits or funding;
4. There must not be a dominant profit motive for the exempt use; and
5. Income derived must not exceed operating expenses and operating expenses do not include debt service.

**PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE** on the 11<sup>th</sup> day of November, 2011.

Signed: \_\_\_\_\_  
Shirley Marquardt, President, Alaska Municipal League

Attest: \_\_\_\_\_  
Kathie Wasserman, Executive Director, Alaska Municipal League

**Community Purpose Exemptions - 2012**

PARCEL ID	OWNER	ADDRESS	YEAR RECEIVED	BOE APPROVED	FULL VALUE	EXEMPTED VALUE	EXEMPTED TAX AMOUNT	4 MILL MIN SCHOOL CONTRIBUTION
1-0015-001	Raven Radio Foundation, Inc	2 Lincoln Street, Suite B	2000	UNKNOWN	\$ 479,300	\$ 223,500	\$ 1,341	\$ 894
1-0720-000	Sitkans Against Family Violence	207 Seward Street	UNKNOWN	UNKNOWN	\$ 636,600	\$ 636,600	\$ 3,820	\$ 2,546
1-6695-000	Sitka Alaska Native Brotherhood	235 Katlian Street	1990	YES	\$ 212,000	\$ 212,000	\$ 1,272	\$ 848
1-7832-000	Sitka Counseling and Prevention Services, Inc	713 A Street	UNKNOWN	UNKNOWN	\$ 194,700	\$ 194,700	\$ 1,168	\$ 779
1-8552-000	Sitka Counseling and Prevention Services, Inc	111 Metlakatla	2011	YES	\$ 272,500	\$ 272,500	\$ 1,635	\$ 1,090
1-8553-000	Sitka Counseling and Prevention Services, Inc	113 Metlakatla	2011	YES	\$ 374,700	\$ 374,700	\$ 2,248	\$ 1,499
1-8562-004	Sitka Counseling and Prevention Services, Inc	121,131,141,151, Orion Lane	2011	YES	\$ 1,080,700	\$ 1,080,700	\$ 6,484	\$ 4,323
1-8566-000	Sitka Prevention and Treatment Services (SCAPS)	701 Indian River Road	2000	UNKNOWN	\$ 687,000	\$ 687,000	\$ 4,122	\$ 2,748
2-5390-004	Alaska Marine Safety Education Association	2924 Hailbut Point Road	2004	UNKNOWN	\$ 492,000	\$ 492,000	\$ 2,952	\$ 1,968
2-5815-001	S.E. Region Emergency Medical Services Counsel, Inc	100 Clothilde Bahovec Way	1999	UNKNOWN	\$ 302,800	\$ 302,800	\$ 1,817	\$ 1,211
2-6000-000	Sitka Sportsman's Association	5205 Hailbut Point Road	1990	YES	\$ 876,800	\$ 876,800	\$ 5,261	\$ 3,507
3-0295-000	Alaska Raptor Rehabilitation Center	1000 Raptor Way	2008	UNKNOWN	\$ 2,848,500	\$ 2,640,600	\$ 15,844	\$ 10,562
3-0425-000	Northern S. E. Regional Aquaculture Association	1308 Sawmill Creek Road	1990	YES	\$ 1,139,700	\$ 809,200	\$ 4,855	\$ 3,237
3-0613-000	Youth Advocates of Sitka, Inc	216 Lance Drive	1986	UNKNOWN	\$ 295,300	\$ 295,300	\$ 1,772	\$ 1,181
3-0643-031	Youth Advocates of Sitka, Inc	310 Price Street	2009	UNKNOWN	\$ 373,500	\$ 373,500	\$ 2,241	\$ 1,494
5-5665-004	Northern S.E. Regional Aquaculture Association	Bear Cove / Medvejie Hatchery	1990	YES	\$ 2,450,000	\$ 2,450,000	\$ 14,700	\$ 9,800
5-5864-002	Boy Scouts of America	Goddard Area	UNKNOWN	UNKNOWN	\$ 80,000	\$ 80,000	\$ 480	\$ 320
5-6469-002	Armstrong-Keta, Inc	Port Armstrong Hatchery	1990	YES	\$ 42,300	\$ 42,300	\$ 254	\$ 169
5-6469-003	Armstrong-Keta, Inc / Lium	Port Armstrong Hatchery	1990	YES	\$ 3,255,200	\$ 3,255,200	\$ 19,531	\$ 13,021
5-6469-004	Armstrong-Keta, Inc	Port Armstrong Hatchery	1990	YES	\$ 109,500	\$ 109,500	\$ 657	\$ 438
6-1000-002	CBS Lease / Fortress of the Bears	4639 Sawmill Creek Road	2007	UNKNOWN	\$ 65,400	\$ 65,400	\$ 392	\$ 262
				<b>TOTALS</b>	<b>\$ 16,268,500</b>	<b>\$ 15,474,300</b>	<b>\$ 92,846</b>	<b>\$ 61,897</b>